Austria Sch22 | Indonesia Rp3100 | Portugal Esc120
Bahrain Din0.650 | Israel Shk3.50 | S.Arabia Rls7.00
Belgium BFr48 | Italy L1700 | Singapore S$4.10
Canada C$1.00 | Japan Y600 | Spain Pta145
Cyprus C£0.90 | Jordan Fils.500 | Sri Lanka Rup30
Denmark DKr10.00 | Kuwait Fils.500 | Sweden SKr9.00
Egypt E£2.25 | Lebanon $1.25 | Switz SFr2.20
Finland Fmk7.00 | Lux LFr48 | Taiwan NT$65
France FFr6.50 | Malaysia Rls4.25 | Thailand Bt40
Germany DM2.30 | Mexico Pes300 | Tunisia Din0.900
Greece Dr120 | Morocco Dh6.00 | Turkey L600
Hong Kong HK$12 | Neth Fl3.00 | UAE Dh6.50
India Rs15 | Norway Nkr10.00 | USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,638 | Monday September 12 1988 | D 8523 A

WORLD STEEL
Profitable future after the misery
Page 18

World News

Burma agrees to multi-party elections

The Burmese Parliament bowed to popular pressure and agreed to hold free, multi-party elections within six to 12 weeks. Page 20

Car bomb kills 10

A car bomb exploded on a busy street near the Pakistani Embassy in the Afghan capital, Kabul, killing about 10 people and injuring 40, Tass said.

Swedish time bomb

Swedish police found a time bomb hidden near the podium in a Stockholm suburb where Prime Minister Ingvar Carlsson had spoken to an election rally a few hours earlier.

Flood waters recede

Flood waters covering three-quarters of Bangladesh started to recede, allowing residents to return home. But officials said the number of cases of water-borne disease was rising. Dhaka newspapers claim at least 1,519 people have died.

UK executive killed

Gunmen firing submachine guns killed a British executive of Philippine Cocoa Estate, an American-Swiss company, in an ambush about 20 km from Davao City, Philippines.

Charles 'for HK'

UK Prime Minister Margaret Thatcher has suggested to Prince Charles that he become governor of Hong Kong in time to hand the British colony over to China in 1997, The Sunday Times newspaper said.

Tamils 'kill 12'

Tamil extremists killed 12 people, including five children, as the Government announced a plan to try to end ethnic violence by merging the north and east provinces, the Sri Lankan military said. India welcomes plan, Page 2

Offer to Kurds

Israel said it wanted to adopt 200 Kurdish children who it said were orphaned by Iraqi poison gas attacks. Iraq outraged by US, Page 3

Solidarity move

Solidarity leader Lech Walesa and his advisers forged a strategy for talks with Poland's Communist authorities and said restoration of the union's legal status was their central demand.

Appeal to Pope

South African guerrillas welcomed Pope John Paul to Africa with an appeal for him to use his moral authority on behalf of their country's oppressed black majority.

Latvians unite

Latvians united in a new Popular Front demanded their Baltic homeland be declared a sovereign state with full economic autonomy and veto power over Soviet decisions.

Yugoslav protest

Several hundred people took part in a protest rally in Belgrade, Yugoslavia, calling for the dismissal of the Communist Party leadership, blaming it for economic crisis and ethnic friction.

Anti-Nazi rally

About 200,000 people attended a rally in East Berlin to honour the victims of Nazism, East Germany's official news agency ADN said.

Iran PM warns

Iranian Prime Minister Hussein Musavi warned parliament that a vote of no-confidence in his Government would cause major problems as his country begins massive post-war reconstruction. Tehran Trade Fair, Page 20

Cake for Marcos

About 5,000 supporters of Ferdinand Marcos celebrated the ousted Philippines president's 71st birthday with a rally in Manila and a birthday cake measuring 10 by 25 metres. US bases deadlock, Page 4

Moscow tees off

Golf, once deemed too bourgeois for the Soviet Union, has arrived in Moscow. Grass for the country's first course has been shipped from Sweden.

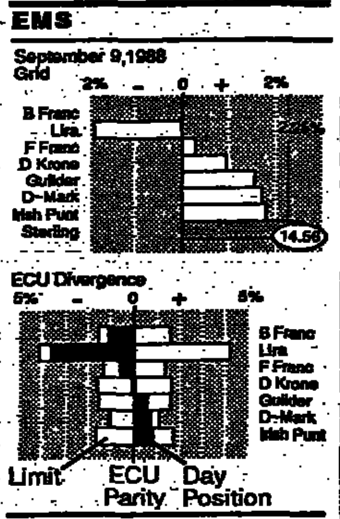
Business Summary

UK decides to deregulate commercial television

BRITISH Government has decided on a drastic deregulation of the UK's main commercial television channel to increase competition. A policy document on the future of broadcasting now being completed will advocate that, in future, companies operating commercial television franchises may be taken over on the London Stock Exchange in the same way as any other company. Page 7

EUROPEAN Monetary System: *Central banks intervened to stem the advance of the D-Mark in the EMS last week. The D-Mark rose to record highs against the French and Belgian francs and Italian lira, but pressure tended to ease on Friday, on the view that there was strong political opposition to an early realignment of the system.*

EMS



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

ROBERT MAXWELL, UK publisher, has offered to increase his bid for Macmillan, the US publishing group, to $84 a share, subject to certain conditions. The current offer is $80 per share. Page 26

EASTERN Air Lines, one of the two main subsidiaries of Texas Air of the US, has begun laying off some 2,600 workers despite a union-led legal challenge to its sweeping cost-cutting programme. Page 25

DUMENIL LEBLE, the French investment bank in which Mr Carlo De Benedetti is the main shareholder with 25 per cent, is about to sell the 40 per cent stake it had built up in conjunction with Banque Stern in the Rivaud group, a labyrinth of companies born in the French colonies of Indochina and West Africa. Page 25

MORE O'FERRALL, UK outdoor advertising group, acquired Coast-United, a Californian outdoor bench advertising company, for an initial consideration of $5.5m. An additional consideration of $500,000 in cash will be payable should Coast-United's pre-tax profits in any one of the next five years be $2m or more. Page 26

JAGUAR, UK luxury car manufacturer, set an all-time monthly sales record in August with 5,781 saloons and sports cars sold worldwide. This represented a showroom value of £150 million ($255m) and was 11% higher in volume terms than the previous record month.

COMMERZBANK, the West German bank, has released more details of the CB German Index Fund, the first index fund in German equities, which was foreshadowed earlier this month. Page 25

INVESTING in Success Equities, the UK investment trust run by Sydney-based investment company Panfida, is to buy out almost half of News International's 33.3 per cent stake in the Martin chain of newsagents, which has around 900 outlets throughout the UK. Page 26

SCOTTISH Investment Trust raised net asset value 9.5 per cent from 154p to 168.7p in the nine months to July 31. Total assets rose from £479.8m to £502.8m. Page 26

AUSTRIAN Foreign Minister Alois Mock arrived in Moscow for talks likely to focus on his country's possible application for membership of the European Community.

Dukakis seeks to regain campaign initiative

By **Stewart Fleming**, US Editor, in Washington

GOVERNOR Michael Dukakis, on the defensive and lagging in national and several key regional polls, is launching an assault on Vice-President George Bush, his Republican rival, in a bid to regain the initiative before the first televised debate between the presidential candidates on September 25.

Mr Dukakis has been urged by advisers and leaders of his Democratic Party to be more aggressive and agile in his campaign to stop Mr Bush from setting the agenda. He is expected to deliver a series of hard-hitting speeches on defence and foreign policy issues this week.

Since the Republican convention nominated Mr Bush as its candidate last month, his campaign has been seeking to portray Mr Dukakis as another Democrat who cannot be trusted to defend US interests abroad, partly by raising doubts in voters' minds about his patriotism.

Mr Dukakis, in a speech late last week which increased concerns that the mud-slinging is going to intensify, equated the Bush strategy with the Communist witch-hunts of the early 1950s. "Republicans cheered as (Senator) Joseph McCarthy slandered good Democrats as Communists and those Republican tactics have not changed . . . they are now questioning my patriotism . . . (but) the American people can smell garbage," he said.

Other Democrats are joining in. On Saturday Congressmen Tony Coelho, the House Majority Whip, accused Mr Bush of wanting to "treat this country like Nazi Germany" by attacking the Democrats as unpatriotic.

The efforts by the two rivals to smear each other's public image reflects in part their reluctance to stake out bold positions on key issues and the fact that the electorate does not have a clear image or a particularly strong affection for either man.

But the tactics run the risk of further weakening both candidates before one of them finally wins the race for the White House.

The latest national opinion polls show that Mr Dukakis, who enjoyed a lead of 17 percentage points nationally in late July, has slumped dramatically. A Business Week poll published last week gave Mr Bush a six percentage point lead (50-44 per cent), in line with other recent polling

Continued on Page 24


David Ruder: hint of further action

Drexel may face more legal action says Ruder

By **Janet Bush** in New York

DREXEL Burnham Lambert, the Wall Street investment bank, could face further legal action covering its high-yield junk-bond activities, Mr David Ruder, chairman of the US Securities and Exchange Commission, said yesterday.

The SEC's 184-page civil suit filed against Drexel last week which charged the company with numerous securities laws violations and insider trading, did not cover Drexel's considerable junk bond business.

However, a separate investigation of this area has been conducted by the House of Representatives Commerce Committee. Its findings are expected to be passed to the SEC.

Representative John Dingell, the committee's chairman, said in an interview on ABC television yesterday that the investigation had turned up evidence of violations in the junk-bond area and that there could be further charges once the information had been passed to the SEC.

Speaking on the same programme, Mr Ruder said: "If they send us the information and if we find something then undoubtedly we would have more complaints."

Mr Ruder gave no hint about whether he expected criminal charges to be brought against Drexel. He said criminal charges would add weight to the SEC's case but that he expected the SEC case on its own to have an enormous impact on the behaviour of Wall Street.

There is strong speculation that Mr Rudolph Giuliani, the US attorney leading the criminal investigation against Drexel, may bring charges this week.

Mr Ruder, asked whether insider trading and other violations were systemic, said: "I have no indication that that is the case."

Wall Street Column, Page 20

Lack of progress in IMF talks deepens Argentine debt crisis

By **Gary Mead** in Buenos Aires and **Stephen Fidler** in London

CRUCIAL TALKS between Argentina and the International Monetary Fund, central to efforts to stem the country's growing foreign debt arrears, are making almost no progress, deepening a crisis over the foreign payments position.

The IMF, which has a team currently in Buenos Aires, wants more action to cure a swelling government budget deficit, but no firm proposals have emerged. This makes the *prospect of a quick agreement* remote, despite statements to the contrary from Argentine government officials.

Separate meetings in New York between the Argentine Government and commercial banks have not yet yielded a *firm request for new funds;* any agreement over which would in any case depend on an IMF accord. In the meantime, arrears on Argentina's debt to the banks have surpassed $1bn.

Against this background, Mr *Juan Sourrouille,* the Argentine Economy Minister, is to visit the US later this week to explain the Argentine position to officials in Washington, and probably to commercial bankers in New York.

It is now clear that the series of economic measures announced last month – the so-called Primavera (Spring) Plan – was insufficient to satisfy the IMF executive board.

Board members from at least four countries – West Germany, Japan, Switzerland and the UK – are understood to want more evidence that the administration of President Raul Alfonsin is intent on curing the long-term structural problems of the Argentine public sector. This is because of the Government's failure to comply with previous agreements with the IMF to curtail inflation and cure the budget deficit.

These difficulties are frustrating US government attempts to put together a bridging loan of $500m with *the help of other industrialised* nations, excluding the UK. This bridging loan is likely to be discussed at the current monthly meeting in Basle of the Bank for International Settlements.

The US intention was to *build the bridge financing* entirely on financial and trade sector reform loans from the World Bank, on which progress was made in talks last month. However, some countries are believed to be anxious to see more progress with the IMF before going ahead.

The government has been thought likely to request $2bn from the commercial banks on top of a $1.2bn standby credit from the IMF.

While Argentina's trade surplus has been swollen this year by the effect on grain prices of the US drought, foreign exchange reserves are thought to be at a critically low level, perhaps around $1bn. Interest payments on its $56bn of foreign debt are about $5bn annually.

Official forecasts of this year's fiscal deficit put it at around 4.9 per cent of official Gross Domestic Product of about $80bn, but independent economists predict the actual figure could be between 6 and 10 per cent. Inflation in August reached 27 per cent.

Apart from attempting to control inflation, the Primavera Plan undertook exchange rate and tariff reform. An undertaking to cut public sector spending by $500m compares to the figure of $2bn said by *Mr Rodolfo Terragno,* the Minister for Public Works, to be wasted annually just by buying goods at above-market prices.

Argentine officials have suggested that failure to provide new loans will hand the *main 1989 presidential election* on a plate to the opposition Peronist party, which has said it would declare a five-year cessation of interest payments.

Ironically, as the crisis over Argentina deepens, the external debt position of Brazil – the the banks' main worry throughout 1987 – is moving close to being normalised. The country paid $240m in interest to banks on Friday to bring it up to date until the end of August on interest payments. The signing of its new money and rescheduling package with commercial banks could now start before the IMF/World Bank annual meetings in Berlin at the end of this month.

● Argentina will grind to a halt again today with the 13th general strike under President Alfonsin's Government.

Bonn row likely to delay treaty with France

By **David Marsh** in Bonn

RATIFICATION in France and West Germany of a treaty to set up a framework for co-operation in defence and economics looks likely to be delayed until next year.

The hold-up, which highlights controversy about the monetary independence of the Bundesbank, West Germany's central bank, comes as a setback to plans that both countries' parliaments would ratify the treaty by this autumn.

A prime cause of the delay appears to be the unwillingness of Mr Helmut Kohl, the West German Chancellor, to intervene in a dispute between the Bonn Foreign Ministry and the Bundesbank.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, wants to give priority to the overall aim of bolstering Franco-German political collaboration. The Bundesbank, which has statutory autonomy over credit policy, insists co-operation with Paris should not weaken its ability to preserve the stability of the D-Mark.

The treaty establishes a Franco-German Defence Council and a complementary Finance Council.

The Bundesbank is sticking to its view that the agreement – formally decided in January by President François Mitterrand of France and Mr Kohl – should be prefaced by a preamble restating its autonomy. This is strongly opposed by the Bonn Foreign Ministry on the grounds that such a passage would negate the basic principles of the treaty.

The Bundesbank is supported by influential voices in Parliament, and Mr Kohl does not want to see a showdown over the matter.

The councils consist of ministers and top officials from both sides, with the Finance Council including the governors of the Bundesbank and the Banque de France. The aim was to build on the provisions of the 1963 Elysée Treaty which sealed Franco-German relations after the Second World War.

Bonn is placing particular emphasis on the security aspects of the accord to bolster its position in view of the present changes in East-West relations. France, on the other hand, sees the new forum for co-operation partly as a means of persuading West Germany to follow more expansionary economic policies.

The idea of anchoring the two councils in a full treaty to be ratified by the National Assembly and the Bundestag has proved more complex than expected.

The Bundesbank's policy-making council was highly annoyed at learning only in January that the collaborative arrangements on financial *affairs were to be inscribed in* a legally-binding treaty rather than as a simple agreement between the two governments.

Mr Hans Tietmeyer, State Secretary in the Bonn Finance Ministry responsible for negotiating the financial accord with Paris, has come under strong private criticism from the central bank.

Mr Pierre Beregovoy, the French Finance Minister, criticised the Bundesbank earlier this summer for its cautious tightening of monetary policies. A further indication of differences between the two sides may come to the surface on Friday in Frankfurt

Minister hints at UK Budget mismanagement, Page 7

Rocard joins UK in opposition to Commission tax proposals

By **Ian Davidson** in Paris

FRANCE HAS joined Britain in opposing the plans of the European Commission for the harmonisation of Value Added Tax in the European Community, as part of the move towards a frontier-free European market.

In an interview in the business magazine L'Expansion, Mr Michel Rocard, the French Prime Minister, said he did not intend to harmonise France's VAT rates on a European average, since this would "pauperise" the French budget.

Last week, Mr Nigel Lawson, the British Chancellor of the Exchequer, outlined Britain's fierce opposition to plans for the harmonisation of indirect taxes in a paper sent to other Community finance ministers. The ministers are due to discuss the issue at a meeting in Crete later this month.

France has higher VAT rates than other members of the Community, and therefore higher VAT revenues – about FF500bn ($80bn), or 45 per cent of total tax receipts. A report submitted to the Finance Ministry early this year by the so-called Boiteux committee had calculated that the harmonisation of French rates at


Michel Rocard: Opposes Brussels' plans on VAT

European levels would lead to a loss of revenue of FF14bn.

Mr Rocard echoed the committee's argument that the harmonisation of Community taxes on savings and investment was more urgent than a harmonisation of VAT rates.

The slow economic growth which followed the two oil shocks had been accompanied by a growing demand for the services of the state: health, research, education, roads, Mr Rocard said. "The state cannot meet all these demands," he added. "We are therefore facing a pauperisation of the state, which is translated into *a deterioration of public capital.*"

Mr Rocard implied that there was no alternative to high VAT revenues. "This movement is accompanied by a growing and justified intolerance of public opinion towards direct taxation, whether personal or corporate. So what is left? Indirect taxation.

"So I say that the Community is taking a heavy risk in having drawn us down the path which consists of drying up the only significant tax resource of the future."

For the next two years, he said he expected Community governments to have their hands full with the harmonisation of taxation on savings and investments. "By then, everyone will have seen the light," he said, "and no-one will want to do what is being planned today.

"I am a convinced European," he added, "but one cannot envisage not being able to finance services the state provides."

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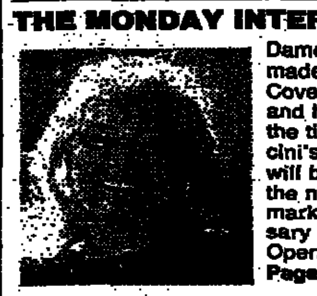
THE MONDAY INTERVIEW



Dame Gwyneth Jones made her début at Covent Garden in 1963 and her appearance in the title role in Puccini's Turandot tonight will both inaugurate the new regime and mark her 25th anniversary at the Royal Opera House
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Soviet envoy shows Dubcek in good light

By Alan Friedman in Milan

THE campaign to rehabilitate Mr Alexander Dubcek, the former Czechoslovak Communist Party leader whose "Prague Spring" came to a bitter end in 1968, was given an unusual nudge at the weekend by the Soviet ambassador to Italy, who described Mr Dubcek's policies as "a precursor to perestroika".

The unusual statement came from Mr Nikolai Lunkov, the Soviet ambassador, who was speaking on Saturday at a news conference during the Communist Party's annual "Festa dell'Unità" near Florence.

When asked whether he thought the former Czech leader was now due for an official rehabilitation in Prague, Mr Lunkov was careful to explain that "it is not for me to comment on the affairs of other countries".

But after describing Mr Dubcek as a forerunner of Mr Mikhail Gorbachev's policy of perestroika, or restructuring, Mr Lunkov went on to note that "the process of perestroika is now happening in all Socialist countries".

The Italian Communists have been hoping for some time for a visit to Italy by Mr Dubcek, who has been living in internal exile at a forestry centre near Bratislava for the past 20 years, ever since Soviet tanks rolled into Prague.

Right: Alexander Dubcek

Serbs call for action over Kosovo

By Judy Dempsey in Lebane, southern Serbia

SEVERAL thousand Serbs demonstrated in the town of Lebane, deep in southern Serbia, on Saturday evening to call for action against the ethnic Albanians in the neighbouring Yugoslav province of Kosovo.

Waving the Yugoslav flag and carrying placards which proclaimed "Kosovo for the Serbs", the demonstrators, many in their thirties, demanded that the federal authorities adopt a tougher policy against the ethnic Albanians in Kosovo, which has the status of autonomous province within the republic of Serbia.

The Serbs in the republic, backed by Mr Slobodan Milosevic, Serbia's party leader, have held several large demonstrations in recent weeks.

Their aim has been to protest at alleged discrimination against the Serbians in Kosovo by the ethnic Albanians there who make up more than 80 per cent of its population.

The demonstrations are linked to Mr Milosevic's apparent determination to assert greater control by Serbia over the province, which was the scene of bloody nationalist riots in 1981, and over the autonomous province of Vojvodina, also linked to Serbia.

The Serbian party plans to hold large demonstrations in this connection.

These, along with proposed amendments to the Serbian constitution which could diminish the rights of the two provinces, are expected to heighten ethnic and nationalist tensions, not only between Serbia and the two provinces but also between Serbia and the other republics in the Yugoslav federation.

India welcomes Colombo plan to merge provinces

By K K Sharma in New Delhi

THE announcement by Mr J.R. Jayewardene, the Sri Lankan President, over the weekend that the Tamil-dominated northern and eastern provinces in the island are to be merged has been welcomed by the Indian Government as a further step towards implementing the accord between the two countries.

New Delhi hopes elections for the common provincial council will now be held quickly, possibly by early November, so Tamil aspirations can be fulfilled and the five-year civil war in Sri Lanka ended.

Provision for the merger was made in the Indo-Sri Lanka accord of July 1987, under which an Indian peace-keeping force was sent to the island while efforts were made to satisfy the Tamils.

At least 500 Indian troops have died in fighting with Tamil extremists, the Tigers, in the past year.

The formation of the single province does not satisfy the Tigers, who still demand an independent nation made up of the two provinces, but India hopes other Tamil groups will now take part in the election process and renounce violence.

There are fears in Colombo that extremists and the opposition Sri Lanka Freedom Party, which opposes the merger, will react strongly to Mr Jayewardene's move and there could be renewed violence.

Left-winger to edit Le Figaro

FRANCE'S venerable Figaro newspaper, long a combative voice of conservatism, has shaken the journalistic establishment by recruiting a new editor from the country's leading left-wing news magazine, writes Ian Davidson in Paris.

Mr Franz-Olivier Giesbert, 39, has been editor of Le Nouvel Observateur since 1985. At Le Figaro, he succeeds Mr Max Clos, 64, whose right-wing columns have been a by-word for intemperate opinion.

It is clear that the change of personnel is a direct consequence of the presidential election result this summer. Since Mr Jacques Chirac, the conservative candidate supported by Le Figaro, was beaten, it has started to dilute its support for the Gaullist party with approbation for Mr Valéry Giscard d'Estaing, former president, and the centre-right.

Under Mr Giesbert, right-wing columnists will be confined to a page labelled Opinion, and Le Figaro will become a straightforward newspaper with neutral reporting.

Mexican Congress in tumult as it ratifies election result

By David Gardner in Mexico City

MR CARLOS SALINAS de Gortari has been declared Mexico's president-elect, the official victor of the most divisive electoral dispute in the history of a 71-year-old regime which had never so much as contemplated defeat.

The former planning minister was ratified early on Saturday by Congress constituted as an Electoral College, after tumultuous and marathon sessions inside, and mass opposition rallies outside, had failed to crack the thin majority of the ruling Institutional Revolutionary Party (PRI).

The opposition's final legal challenge to the official results of the election, held on July 6, was defeated by 263 votes in the 500-member Congress for Mr Salinas. The right-wing National Action Party (PAN) cast the 85 votes against. The broad-left National Democratic Front (FDN) walked out before the vote, aware it had lost the procedural battle to overturn the results.

Mr Cuauhtémoc Cárdenas, FDN presidential candidate, had declared himself the rightful victor. Like the PAN, he insists the results were rigged for Mr Salinas.

PRI leaders now regard the dispute as over. Mr Salinas said he would "govern for all Mexicans, whatever their politics". Looking forward after six years of stagnant national output, he said: "Mexico must return to growth and we are going to grow."

Neither the PRI nor the FDN has proved who won. Most independent analysts believe that, if Mr Salinas won, it was not by the margin claimed. Some PRI officials admit there was padding, but only in regional contests which do not affect federal results.

The PRI majority in the Electoral College blocked opposition attempts to force a selective recount, which might have settled the issue. The PRI deputies were fearful their congressional representation would be reduced to a point where ratification of Mr Salinas would have been imperilled.

The final tally of the popular vote gave Mr Salinas 50.74 per cent, Mr Cárdenas 31.06, and Mr Manuel Clouthier, businessman leader of the PAN, 16.81.

Senator Porfirio Muñoz Ledo, a former PRI president and now a Cárdenas strategist, led a march on Congress by 20,000 supporters on Friday night. He said: "It is absurd and dangerous to get Salinas into the presidency this way. They are provoking people and they won't be able to govern. There is no political leadership left in this regime."

Mr Cárdenas has called on supporters to take over Mexico City's Zocalo square on Wednesday. The rally will be watched for signs that his movement is continuing to grow or, as the PRI believes now, starting to decline.

Mr Salinas will have the chance to promote such a decline in a speech today. His words will be scrutinised for indications that he is serious about the political reform

IMF officials leave Egypt

REPRESENTATIVES of the International Monetary Fund, which was bitterly criticised late last week by President Hosni Mubarak, have completed another round of inconclusive talks in Cairo with Egyptian officials, writes Tony Walker in Cairo.

Fund officials left Cairo soon after Mr Mubarak had likened the IMF to an unqualified doctor, seeking to prescribe an overdose of medicine to the detriment of the patient.

Egypt and the IMF have been arguing for most of the year about the pace of the country's economic reform.

IMF officials will report to their superiors in Washington on slow progress towards an agreement.

Botha aims to revive Mozambique pact

PRESIDENT P.W. Botha of South Africa travels today to war-ravaged Mozambique, where his country is regarded as both the hostile backer of right-wing guerrillas and an economic powerhouse whose co-operation is badly needed by its poorer neighbour, Reuter reports from Maputo.

Mr Botha and President Joaquim Chissano of Mozambique will hold a day of talks at Songo near the Cahora Bassa hydro-electric dam – a frustrated project to harness the Zambezi River that symbolises their complex relationship.

Their aim will be to revive the Nkomati Accord, a 1984 non-aggression pact in which Pretoria and Maputo undertook not to support each other's guerrilla enemies, and to promote a renewal of economic co-operation.

"Mozambique hopes that the Songo meeting will be a decisive step in rescuing the Nkomati accord. It is a further step in the policy of trying to resolve the aggression against Mozambique through dialogue with Pretoria," the official Mozambican News Agency, AIM, said.

Cahora Bassa was begun by the Portuguese Government with the idea that South Africa would be its main customer.

By the time it was completed in 1979, Mozambique was an independent state governed by Marxist former guerrillas who opposed apartheid but found the only way the dam could pay its way was by selling power to Pretoria.

Britain expels Vietnam envoy

THE UK has ordered the expulsion of a Vietnamese diplomat after his embassy had said it could not waive his immunity to allow him to be questioned by police. He is alleged to have threatened a crowd of demonstrators in front of the embassy with a gun last weekend, Reuter reports.

Mr Khang Than Nhan, Third Secretary, was given until late yesterday to leave Britain. The UK Government also said it would not accept nomination of a successor until it had received a satisfactory account of Vietnamese disciplinary proceedings that Mr Khang would face.

The Vietnamese ambassador has handed over a gun to the Foreign Office.

Belgrade to lead non-aligned

A GATHERING of ministers and other officials from 95 non-aligned countries ended in Nicosia yesterday after a week, with Yugoslavia made new president of the non-aligned movement from next year and a call for real interest rates to be lowered so as to help ease the external debts of developing countries, writes Andreas Hadjipapas in Nicosia.

Yugoslavia agreed to host the next summit meeting of the 101-country group in September 1989, and take over the titular leadership of the movement from Zimbabwe. The two original candidates for the job, Indonesia and Nicaragua, failed to gain the necessary support.

The conference strongly denounced Israeli policies in its occupied areas

Hearts and wallets close to the 'begging Bakkers'

By Roderick Oram in Fort Mill, South Carolina

SOMETIMES the magic works; somtimes it doesn't. Mr Jim Bakker, fallen televangelist, needed a mere $3m to begin the journey home but his legendary fund-raising talents have deserted him at his critical hour.

Despite shadowy backers billed variously as one Greek tycoon or 28 European businessmen, he failed to come up by Friday's deadline with the "earnest money" demanded by a bankruptcy trustee. His chances of making good on his pledge to pay $172m to reclaim the fruits of his fertile imagination, the PTL television ministry and Heritage USA, a South Carolina religious resort and once the third most popular theme park in the US, are thinner than ever.

Time and the tattered remnants of his reputation are wearing out. A world never sated with the details of the sex, money and religious travails of Jim and Tammy, his weepy wife with the landfill makeup, can feast anew from today. A court will begin hearing allegations from the bankrupt PTL that they mismanaged, misappropriated or otherwise squandered $52m of its money. A grand jury is due to decide later this year whether to bring criminal charges. "Jim and Tammy – the irrepressible couple returns," a sequel worthy of soap opera, is a prospect appalling to many of their former followers who are struggling to restore PTL and Heritage USA.

"The only personality I want to produce here is Jesus Christ," Mr Don Edwards, the ministry's new president, told a meeting of PTL partners. Turmoil since Mr Bakker was booted out 18 months ago has brought the ministry to the brink of collapse.

"We're trying to meet the needs of a hurting world. . . the blood of unsaved souls will be on your hands" if the ministry folds, he warned the partners. The ministry could not work with Mr Bakker if he returned because he remains a defrocked minister in the Assemblies of God Pentecostal church. The ministry would be likely to fail if it had to leave Heritage USA.

While many PTL members have tried to live their Christian faith by forgiving or at least not judging the Bakkers, others have waded into the bitter feud. Activists are small in number but split between two main factions: Bring Bakker Back and Partners for Christ who want to pay off the creditors without Mr Bakker's help.

The Bakkers returned in May to set up the "Jim and Tammy Ministries" in a suburban office park a few miles from Heritage USA. Likening the location to camping at the gates of Jericho, they have appeared several times at the resort, surrounded by their supporters, and at Pentecostal meetings nearby.

Many PTL members say, though, the Bakkers are incapable of true Christian love because they still inflict pain on others. "If they had a caring heart they wouldn't try to come back," said Mrs Mary Sanders, a 75-year-old who lives at Heritage USA. "I'd like to see true repentance, restitution and restoration."

The Bakkers would probably like to see some more money. Compared with their former indulgent lifestyle they are slumming in a $1,000-a-month rented apartment paid for by supporters and driving a Chrysler lent them by a local car dealer.

In a recent fund-raising letter to followers, Tammy described how horrible it had been to be told to leave their million-dollar parsonage.

"I heard those words and terror gripped my heart. . . We had raised our children there, we had put our marriage back together in that house. Max and Snuggles and Muffie, our dogs, were playing in their yard! Tinkerbell and Hooter, our kittens, were there. . . How I longed for my bed! The place of safety for me. Our place of rest after a hard day!"

Judging by the lack of donations to date, people are closing their hearts and wallets to the Bakkers as they never did before. Now they are profiteers without honour in the land they created.

In the lobby of their new offices, furnished in suburban dentist style, hangs a painting of Jim and Tammy surrounded by the temporal real estate paradise they lost when they were driven from Heritage USA. The caption reads: "The dream never ends". Few doubt Mr Bakker's drive is exhausted.

Mr David Harrell, a University of Alabama specialist on evangelists said: "I always regarded him as a premier fund-raiser - the best religious beggar of the twentieth century".

FINANCIAL TIMES

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OVERSEAS NEWS

Sudan famine to worsen, say relief agencies

By Michael Holman in Khartoum

LEADING British relief agencies yesterday warned of a deteriorating situation in southern Sudan, where scores of thousands have died from famine.

The warning, issued by Oxfam and the Save the Children Fund, coincides with the visit to Sudan by Sir Geoffrey Howe, British Foreign Secretary.

In their statement, which appealed to the Sudanese government to allow the relief agencies to take direct responsibility for the distribution of aid, the two organisations said the death rate in some areas was the worst ever recorded in Sudan.

Sir Geoffrey told a news conference in the capital yesterday that reconciliation between the government and the Sudan People's Liberation Army, which has been fighting a guerrilla war in the south for five years, was urgently required if relief were to reach the south.

The war has made an effective feeding operation impossible, and government forces have been accused of misappropriating the limited supplies that do reach the south.

Sir Geoffrey, who had met Mr Sadiq el Mahdi, the Prime Minister, earlier yesterday, announced a British Government contribution of £1m to an International Red Cross appeal for assistance, and £1m to help combat the locust threat to the region.

The Foreign Secretary, on the first leg of a six-country African tour, had spent the morning flying by helicopter over the flooded suburbs and shanties of Khartoum, where more than 1.5m people were left homeless by floods last month.

Many of those worst hit are refugees from the war. As many as 1m southerners have fled the conflict, 250,000 taking refuge in south-eastern Ethiopia, while 500,000 have trekked north to the comparative safety of Khartoum.

Even before the floods, conditions there were appalling. Shanties on the fringes of the city were without sanitation or water. Torrential rains had washed away the flimsy shelters and raised the risk of cholera and typhoid.

After his flight, Sir Geoffrey visited a camp of 500 tents provided by the British Government, housing 3,000 people.

The new aid announcement brings Britain's total assistance this year to more than £12m. At the news conference, Sir Geoffrey also stressed the importance of a sound economic recovery programme for Sudan, a clear reference to Britain's concern about the continuing failure of the Sudanese government to reach an agreement on policy with the International Monetary Fund.

The agreement is an essential pre-condition to the rescheduling of the country's external debt, which exceeds £12bn.

Sir Geoffrey was due to leave Khartoum yesterday afternoon for a brief stopover in Addis Ababa, where he plans to meet government ministers, before flying on to Kenya on the third leg of a journey which will also take him to Uganda, Tanzania and Mozambique.

Palestinian stabs West Bank official

By Eric Silver in Jerusalem

A PALESTINIAN surrendered to the police yesterday after stabbing the Arab head of medical services in the West Bank town of Jenin.

Dr Ahmed Stiuty was reported in serious condition, but out of danger, in an Israeli hospital. The assailant is understood to be a businessman whose shop was stoned last week by militants, accusing him of collaborating with the occupying authority.

It is suspected he was trying to prove his loyalty to the Palestinian cause by attacking an official working for the Israeli administration.

This is the fourth case on the West Bank, in as many days, of assaults on alleged collaborators in retaliation for an Israeli drive to smash local committees said to be orchestrating the nine-month-old Palestinian uprising. The three earlier victims were murdered.

The army crackdown continued yesterday with raids on three villages. Four Arab civilians were reported to have been wounded by live ammunition and rubber bullets. Arab reporters said that a woman and her six-year-old son were hurt when troops fired rubber bullets in the Balata refugee camp, near Nablus. The camp was under curfew.

In the Gaza Strip, the ideologue of the Islamic Resistance Movement said at the weekend that he would negotiate with Israel if the Jewish State "recognises Palestinian rights".

Sheikh Ahmed Yassin, a 50-year-old preacher, did not define those rights.

His interview with Israel television's Arabic news was seen as a softening of his previously uncompromising stand.

Earlier last week, he had argued for a single Islamic state, embracing Moslems, Christians and Jews, for the whole of Palestine – a solution rejected by all Israeli parties.

Analysts suggested Sheikh Yassin was more concerned to mend his fences with the Palestine Liberation Organisation than with the Israelis.

Burkina's women cultivate financial independence

Nicholas Woodsworth reports on the success of collective initiatives in improving standards of living

Koudpoko Ouedrogo is in her early forties, but like many rural African women her age, she is already old. Her skin is dried and wrinkled, her hands boney, and her gait bowed. None of this is surprising. Her life has been spent in incessant physical labour and almost constant pregnancy.

From the time she was a small girl, she has hauled heavy clay jars of water to and from the village well. She walks long distances with loads of firewood on her back. Two hours every evening are spent pounding millet for the family's dinner

These demanding household chores, daunting to most Western women, are only a fraction of her total work.

She is also a farmer. Most of her day, and her energy are spent tilling, hoeing, and weeding in her family's fields.

In much of Africa, women are a vital, but almost entirely ignored, element in economic development. Although for centuries their field labour has been a mainstay of rural agriculture, their legal and social rights have been minimal or non-existent.

In recent times, they have also become the victims of Western sexual precepts – international aid agencies have, on the whole, aimed rural development programmes at men alone.

While training, new techniques, and farming materials have gone to the male members of society. African women have struggled on, socially isolated and unaided.

The situation is slowly changing today. Unicef and other agencies concerned with the social aspects of development in Africa are actively promoting the concept that the well-being of women has a direct effect on the overall economic well-being of the continent.

Health and motherhood are no longer the sole preoccupations of programmes for women, and their economic role is now being acknowledged.

But age-old traditions do not disappear overnight. Although many African governments now have ministries for women's affairs, their initiatives are frequently underfunded, half-hearted, and ineffective.

Often, their national women's organisations are little more than female annexes of ruling political parties.

The arid and land-locked West African state of Burkina Faso, however, is one country where significant progress in women's development has been made in recent years.

The women's movement – a grass-roots initiative of rural self-help run for and by women – was given major impetus in 1984 under the radical programme of social reform initiated by Captain Thomas Sankara, the late President of Burkina Faso.

Women are a virtually ignored factor in Africa's economy

Only a few years ago the idea of Koudpoko Ouedrogo explaining woman's business initiatives would have been laughable. But today, as president of the local Village Women's Group, she has a new self-confidence.

Sitting under the mango tree where the village elders of the small community of Sapone usually gather, she is happy to talk to visitors.

For the first time, she explains, women here are looking forward to some measure of material security and control over their lives.

The women of Burkina are better organised than most in Africa because survival depends on it.

Twenty years of drought, desertification, hunger, and unemployment in this desperately poor nation have driven large numbers of men to look for work outside the country. Much of the physical work in Burkina Faso today is done by women.

Women here are attempting to satisfy two main needs through collective action.

The first is the alleviation of the daily drudgery which consumes hours of time and much physical effort. They would like to see, for example, better access to safe drinking water. The sinking of village wells would save round-trip treks of up to 10 kms.

Small-scale village grain mills to mechanically crush millet would also do much to ease their lives. Even the possession of the simplest farming tools would save much tedious labour.

The second, more long-term objective is economic independence.

Women will have no control over their future until they have some control over financial resources, says Esther Tegre, head of women's projects at the Oxfam national headquarters in Ouagadougou, Burkina Faso's capital.

One answer to both of these problems lies in small, collective fund-raising initiatives. These can provide both the money for labour-saving devices and the economic independence women so badly need.

By pooling their resources, the women of Sapone have undertaken several successful projects.

One need go no further than Koudpoko Ouedrogo for an example of such an initiative.

From head to toe, every piece of clothing she wears is a product of the 70-member village woman's group.

The cotton the clothes are made fromwas grown in a field owned and worked by the women's collective. It was carded, spun, and woven on simple equipment in the village, and dyed with locally-grown indigo. Such clothing is now sold in several local markets.

Other similar initiatives include the purchasing of surplus stocks of grain to be resold in the growing season, and the production and sale of soap, vegetables and millet beer.

In slack periods of the agricultural year, the women even hold *"soirées dansantes"* – or dance evenings – to raise extra money for their projects.

While the state provides extension training, literacy programmes and the organisational structures necessary to promote such development, numerous aid agencies provide initial funding.

What are, in fact, grants are presented to the women's groups as loans. They are then paid back into revolving funds used to finance village mills, wells, farming implements or further fund-raising projects.

While real advances have been made in Sapone and other Burkina villages, life for women remains difficult.

OVERSEAS NEWS

Snags loom larger than opportunities for 'Euromortgages'

Serious difficulties could lie ahead in disputes over what constitutes financial techniques, David Barchard reports

FEW TASKS on the road to a single European market look more daunting than that of drawing together the national housing finance systems in the Community.

Levels of owner-occupancy vary from 43 per cent in the Netherlands to 75 per cent in Ireland. In several wealthier member-states, notably West Germany, a healthy market in rented accommodation has meant that owner-occupancy has not acquired the overriding importance in personal finance and retail banking which it has in Britain.

The legal systems, the institutions, and the financial products which support house purchase have evolved differently and are steeped in each country's national culture. Diversity has thwarted efforts by the Commission to create a single housing finance market in the familiar way by harmonising legislation.

"Harmonisation has proved to be impossibly complex in the case of the mortgage markets and we cannot introduce special mortgage banking legislation for the UK or West Germany," says one of the Commission officials working on housing finance.

So instead of trying to introduce a special mortgage finance directive, the Commission is likely to confine its legislation on housing finance to its recently completed Second Banking Co-ordination Directive due this year. This will not try to harmonise national mortgage systems but will introduce mutual recognition of techniques. In other words, mortgage lenders will be able to work in the EC outside their home country as if they were working at home.

"There is some doubt in the industry as to the practicality of what the Commission is proposing," says Mr Paul Gardner Bougaard, in charge of Abbey National Building Society's European operations. However, the Commission's resolve to encourage a single housing finance market has led increasing numbers of banks to engage in cross-frontier activity, the easiest form being to fund lending by a mortgage specialist in another member-state.

A few organisations have gone on to the next stage and set up mortgage subsidiaries in other EC countries. However, mutual recognition of techniques has not yet arrived. New arrivals must operate according to the rules of the mortgage market of the host-country, and the degree to which national mortgage markets are willing to accept foreign players varies sharply.

"We began to look outside France three years ago," says Mr Michel Le Galle, of Compagnie Bancaire in Paris. "The *horizon of 1992 was in the air* and our basic aim was to be established in each of the major European countries and learn their practices."

OWNER-OCCUPATION RATES

Country	%
Switzerland	30
Luxembourg	59
Sweden	57
West Germany	37
Denmark	52
France	47
Belgium	61
Netherlands	44
UK*	64
Italy	59
Spain**	64
Ireland	74

*1987 **1970 Other figures are various years, 1978-81
Source: OECD and Building Socs Assn

The obvious market to go to was the British one, where deregulation has gone furthest, and new players are admitted easily and may employ any mortgage technique they wish. Compagnie Bancaire's mortgage subsidiary UCB bought an American UK mortgage company and has since notched up a UK mortgage book of just under £700m.

UCB is just one of a steady *flow of new entrants into the* British mortgage market. Others to arrive in the past two years include Denmark's three largest mortgage lenders marketing Danish-style mortgage bonds; all the major French lenders of non-subsidised mortgages, including Crédit Agricole, Paribas and BNP (which made a commanding entry into the UK market in early August by acquiring Chemical Bank's UK mortgage subsidiary); and Algemene Bank Nederland from the Netherlands.

The larger British mortgage lenders, such as the Halifax and Abbey National building societies, view this influx with equanimity. For them an "open mortgage market" means strength rather than vulnerability. "1992, if it achieves anything," says Mr Ian Lumsden, who is in charge of 1992 research and strategy at the Halifax, "should make host-countries less defensive."

So far, only three British institutions have made moves into the European mortgage markets. Midland Bank's French subsidiary, the result of an acquisition in the late 1970s, is the largest foreign player in the French mortgage market. Abbey National launched a subsidiary in Spain this year and the Halifax is known to be working on plans to go into Europe, again probably into the Spanish market.

The British may find the way into Europe eased for them by the eagerness of foreign mortgage lenders to adopt British products. BNP's purchase of Chemical Bank's UK mortgage book, for instance, was accompanied by a statement from Mr Jacques Wahl, its managing director for international operations, that the bank was considering marketing British-style endowment mortgages in other EC member-states.

Abbey National is already trying out the endowment mortgage in Abbeycorp, its Spanish joint venture with a Swiss partner. But not everyone is sure that the endowment mortgage, attractive because of the higher commissions that go with it, will transplant easily into other EC countries. "No other country separates mortgages into credit products and repayment products as in the endowment mortgage," says Mr David Kingsmill, assistant general manager at Crédit Agricole's London subsidiary. "One feels a certain amount of scepticism from colleagues in Europe, but also tremendous interest in whether or not it will work elsewhere."

The obstacles to greater cross-frontier penetration are formidable. West Germany, for instance, makes little pretence of wanting to see foreigners *enter its markets and the* major German mortgage banks are barred by law from operating outside the country. With a highly developed and sternly regulated system of Pfandbriefe (collateralised fixed-rate mortgage bonds backed by a pool of mortgage loans) and 21 specialist mortgage banks, mostly subsidiaries of the large banks, the Germans see little need to dabble in foreign methods.

West German bankers have warned against any attempt to dilute the quality of their mortgage bonds and resisted Commission plans for the creation of a European mortgage bond. "It is obvious that they don't want newcomers," says Mr Le Galle.

However two of the three big Danish mortgage companies have recently established operations in Frankfurt. More important, on July 1 this year, German mortgage banks for the first time gained the legal authority to operate outside Germany, though there are still tight limits on the amount of lending they can do.

"We are likely to try with small steps just across our frontiers at first," says Dr Klaus Schubaus, head of foreign banking at Rheinhyp AG, a subsidiary of Kommerzbank. "It will mean a terrible lot of work for us as there are 12 different legal systems to consider . . . we are having a look at Denmark, the Netherlands, Belgium and Luxembourg."

The Commission hopes this picture of gradual intermarket penetration will be dramatically altered by the end of the decade. By 1992, if present plans go ahead, lenders should be free to cross borders on their own terms and operate abroad more or less as they do at home.

As yet, however, the snags loom larger than the opportunities. Even in Britain, the law still does not allow building societies to operate in other EC countries except through a subsidiary. It would have to be changed to allow them to lend direct through branches in other member-states.

"Serious difficulties could lie ahead in disputes over what constitutes a financial technique," says Mr Leo Mollende, of the European Community Mortgage Federation. "For instance, some members would challenge the right of building societies to stay open on Saturday morning." In Belgium consumer protection law bans the use of variable interest rates for mortgages, yet it is hard to see how British building societies could operate there without them.

Most fundamental of all is the question of regulation. The Commission envisages that mortgage lenders would be regulated by the statutory authority in their home countries. But monitoring of their activities in another EC country would be carried out by the local regulator, which would forward information to the home-country authorities.

Just how all this would work in practice few of the big cross-national lenders can predict. Some say privately, however, that conditions will get steadily tougher for local mortgage lenders, such as the smaller British building societies, used to working with savings and loans in a sheltered market.

"It is safe to say that there will be an increasing number of cross-frontier operations," says Mr Lumsden. "But we are not going to see a homogeneous European mortgage market." Although the initial level of legal obstacles would disappear, cultural, legal, and linguistic differences would persist after 1992.

U Nu, still willing to lead after four decades

Burma's alternative ruler may find the levers of power are out of his hands, writes Roger Matthews

U NU, the 82-year-old Burmese politician who on Friday unilaterally declared himself head of a provisional government, is as much a part of his country's creaking political furniture as the man whom all the opposition forces ultimately wish to remove – General Ne Win.

The two men share a 50-year political history which divides itself almost exactly into two *periods: the first 25 years* marked by common objectives and shared achievement, the second 25 years in more or less bitter conflict.

For U Nu, there must be a particular personal satisfaction in announcing himself as head of a provisional government, even if the foundations for his claim remain difficult to assess because of the inevitable fragmentation and confusion among emerging opposition factions.

Friends of U Nu say that as he was the last democratically elected prime minister, ousted by Ne Win's coup in 1962, it would be just and politically acceptable for the "democratic baton" to be passed back to him. "He has an unblemished record as a Burmese nationalist, as a Buddhist and as a *democrat," said one of his sup*porters yesterday.

As a nationalist, U Nu was one of the famous "Thirty Comrades" who formed the nucleus of the Burmese opposition to British colonial rule. That opposition led him briefly to become Foreign Minister in the puppet regime set up by the Japanese in August 1943 before the Thirty Comrades smartly switched their allegiance to the advancing allies.

When Aung San, the still revered leader of the independence movement whose photograph has dominated the demonstrations of the past month, was murdered in 1947, U Nu was persuaded by the British to take over. He did so apparently reluctantly, and after lengthy astrological consultations, chose the moment of Burma's independence – 4.20am on January 4, 1948. U Nu's affection for astrology and his devotion to Buddhism have formed an important part of his political life.

So too, has luck. Only illness prevented him attending the fateful meeting at which Aung San and six top party leaders were assassinated, but having said that he wished to be Prime Minister for only six months, U Nu appears to have changed his mind so that, four decades later, he is still willing to resume the mantle.

His devotion to Buddhism has been no less durable. As

U Nu and Ne Win share a 50-year history – the first 25 years marked by shared achievement, the second by bitter conflict

Prime Minister, he briefly succeeded in establishing Buddhism as the state religion. But it was a divisive policy, creating uncertainty and opposition among other religions, and playing no small part in the growing paralysis of his Union Party, which was toppled by the Ne Win coup in 1962.

For the next 25 years, U Nu sought to reverse that coup. He was in jail for four years and on his release, again demanded the reintroduction of democratic rule. When Ne Win predictably refused, U Nu was allowed to leave Burma and until 1980 campaigned ceaselessly against the regime.

In 1970, he set up the National United Liberation Front operating from Thailand, a country with which U Nu had developed close relations.

The NULF mounted armed raids across the border and briefly seized small pockets of territory, but in less than two years it collapsed under the weight of disagreements on the degree of autonomy to be granted to Burma's ethnic groups. From his base in India, U Nu took advantage of the 1980 Ne Win amnesty to return to Burma on condition that he eschewed politics.

For much of the past eight years, U Nu has devoted himself to translating Buddhist scriptures and waiting. Last Friday, he wrote in an open letter: "I have taken back the power which General Ne Win had taken from me. It has come back into my hands, and I announce this fact with joy."

Sitting little more than a mile away in Rangoon and still operating some of the levers of power, General Ne Win has yet to make a response. However, they both may find that after 50 years, neither of them has any longer the same capacity to propose or dispose of the future of their country.

SHIPPING REPORT

Crude fall hits tankers

By Terry Dodsworth

THE decline in crude oil prices had a negative impact on the tanker market last week, with traders reluctant to commit themselves to shipping more oil in the light of forecasts of further price deterioration.

Galbraith's, the ship brokers, said that as a result, large ship activity in the Arabian Gulf had been kept to a minimum during the week.

The strongest element of activity came from Saudi Arabian chartering for cargoes not yet sold – a move seen as part of the Saudi effort to keep up production.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		July '88	June '88	May '88	July '87
UK (£bn)	exports	6.775	6.837	6.543	6.686
	imports	9.427	8.378	8.227	7.708
	balance	-2.651	-1.541	-1.684	-1.022
Japan (US$bn)	exports	21.670	21.250	20.288	18.551
	imports	14.433	15.070	13.489	10.940
	balance	+7.237	+6.180	+6.799	+7.611

		June '88	May '88	April '88	June '87
USA ($bn)	exports	26.812	27.478	26.029	21.108
	imports	39.352	37.240	36.333	36.166
	balance	-12.540	-9.762	-10.304	-15.058
France (FFrbn)	exports	83.649	82.507	79.162	72.760
	imports	84.637	84.065	81.539	76.510
	balance	-0.989	-1.558	-2.367	-3.750

		May '88	Apr.'88	Mar.'88	May '87
W.Germany (DMbn)	imports	46.760	44.480	43.270	44.240
	exports	37.130	33.540	36.050	33.850
	balance	+9.820	+10.940	+7.210	+10.390

HK likely to lose 45,000 professionals this year

By John Elliott in Hong Kong

HONG KONG is likely to lose more than 45,000 local Chinese people this year, mostly valuable young professionals, who are emigrating to countries such as Australia, Canada, and the US before the territory is transferred to China's sovereignty in 1997. The total next year could reach another 50,000.

These figures are emerging from inquiries by a task force set up by the Hong Kong Government. They show an increase of about 50 per cent *over last year's total,* but are not nearly as high as earlier forecasts of 70,000-100,000. The details will be announced by Sir David Wilson, Hong Kong's governor, in his annual speech to the territory's legislative council on October 12.

Sir David's speech will come at a politically sensitive time because it follows the end of the first consultative period on the territory's new basic law to be prepared by Peking. A delegation of senior Peking officials is in Hong Kong discussing the law with various interests.

It is thought that long-term *concessions are likely to be* made on several key issues, such as elections and accountability to Peking, in the next draft of the law, which will be issued in three or four months.

Hong Kong companies are suffering because they are losing valuable experienced staff, although company chairmen insist that they have plenty of talented people to fill the vacancies.

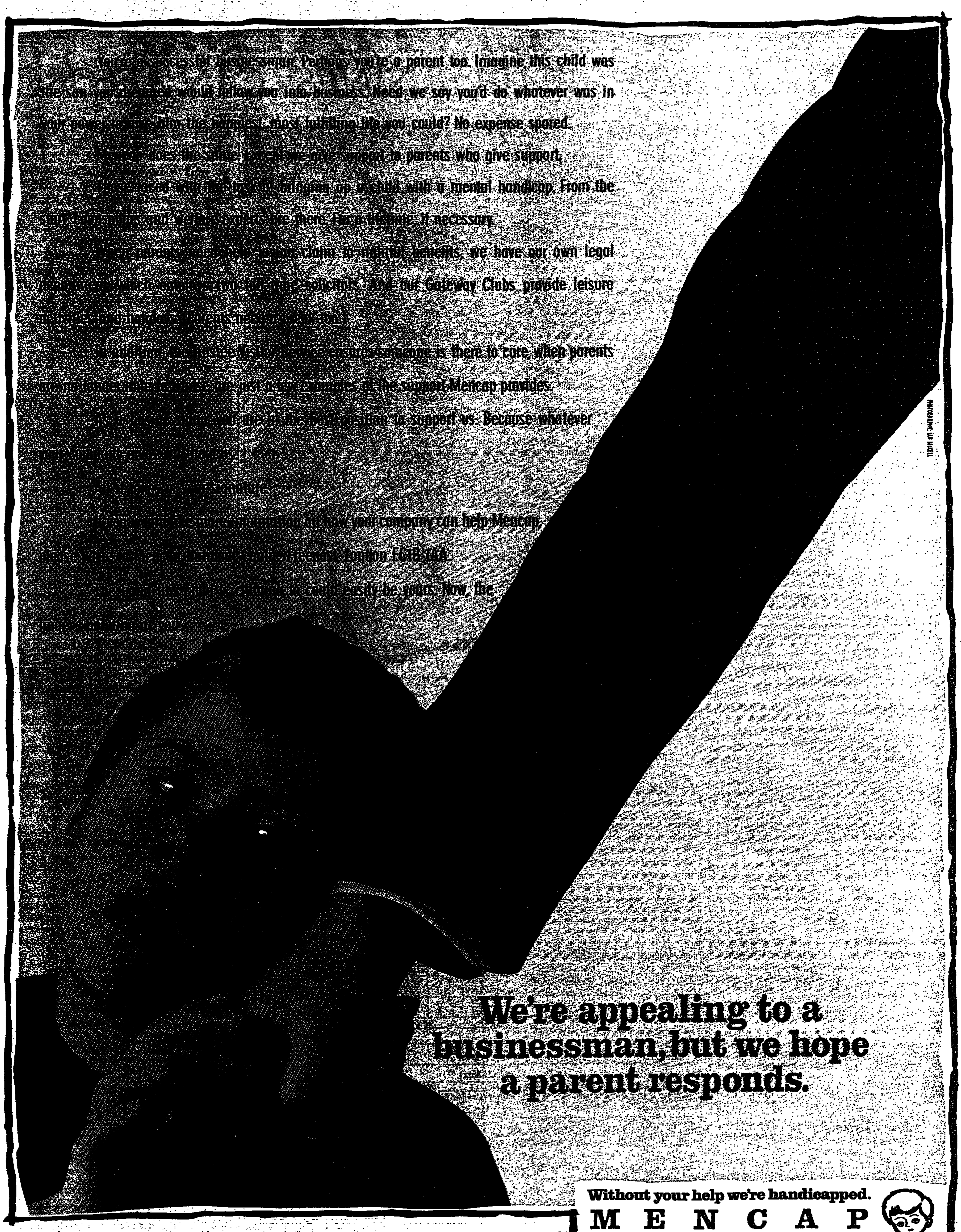
Filipino bid to break deadlock on US bases

MR RAUL Manglapus, the Philippines Foreign Secretary, left for Washington yesterday to try to break the deadlock in talks on US bases, which are stalled over compensation demands, AP reports from Manila.

He is to meet Mr George Shultz, Secretary of State, and Mr Frank Carlucci, Defence Secretary, and other senior Administration and congressional figures. He will also attend the UN General Assembly session in New York later this month.

Filipino officials said Mr Manglapus will press for a substantial increase in the $180m which the US pays annually for use of Clark Air Base, the Subic Bay Naval Base and four smaller installations.

In April, the US and Philippines began reviewing terms of the 1947 Military Bases Agreement, which provides for US use of the bases until 1991. The talks were adjourned last month. Manila has demanded $1.2bn annually for the last two years of the deal.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your power to give him the happiest, most fulfilling life you could? No expense spared.
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are there. For a lifetime, if necessary.
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activities and holidays. (Parents need a break too.)
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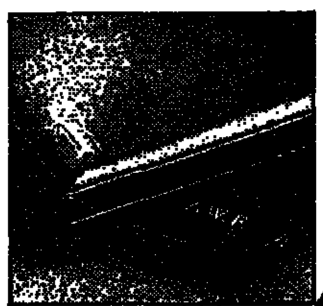

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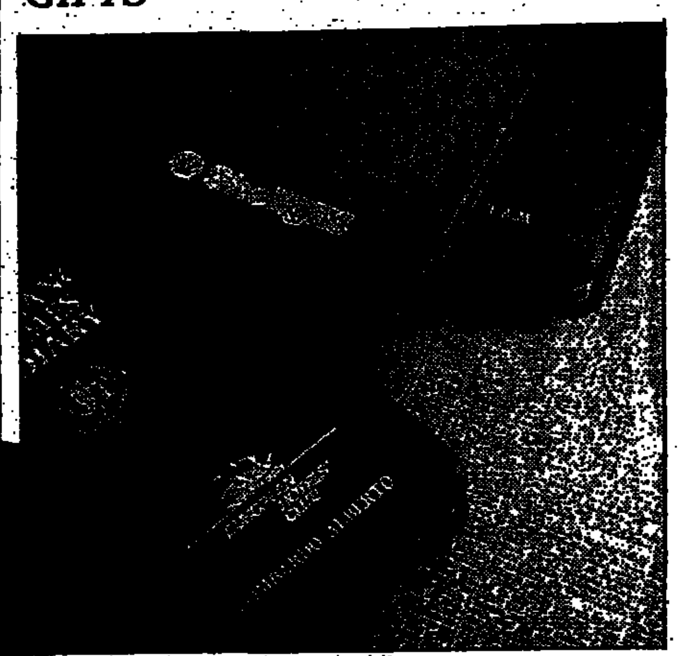

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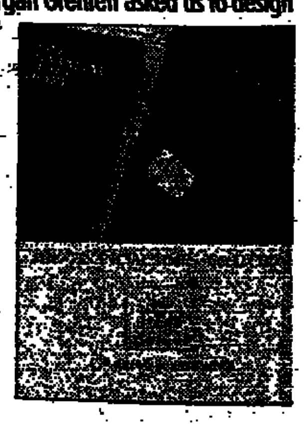

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UK NEWS

White Paper to envisage drastic deregulation of commercial TV

By Raymond Snoddy

THE GOVERNMENT has decided on a drastic deregulation of Britain's main commercial television channel to increase competition in the commercial television sector.

The policy White Paper on the future of broadcasting, now being completed, will advocate that in future companies operating commercial television franchises can be taken over on the Stock Exchange like any other company.

In the past the Independent Broadcasting Authority, the regulatory body for commercial broadcasting, has blocked takeovers of ITV companies. In 1986 the IBA ruled that a £753m Rank bid for Granada, the television, bingo and motorway and computer services group, was "unacceptable" even though only about 20 per cent of group profits came from Granada's commercial television franchise. Earlier the IBA had also blocked a bid from Carlton Communications for Thames Television even though the two owners, Thorn Emi and the BET group, were willing to sell.

The body that is to replace the IBA, a new commercial television authority which will regulate cable and satellite as well as land-based commercial television, will not have the power to block the takeover of commercial broadcasters.

It is likely, however, that there will be a form of "golden share," designed to keep the companies that win the new franchises starting in 1993 at least under European Community, and if legally possible under British, control.

The new franchises will be awarded by a process of competitive tender rather than on the sole judgment of a regulatory body, as has been the case since the launch of ITV more than 30 years ago.

Apart from the tiny Channel Islands company, all Britain's 16 commercial television franchise holders have Stock Exchange quotations and together are probably worth more than £900m.

Under the Government's plans ITV will, in effect, lose virtually all its public service obligations and will be free, subject to the constraints of Lord Rees-Mogg's Broadcasting Standards Council, to compete head-on with the new cable and satellite broadcasters.

In future only the publicly owned British Broadcasting Corporation will work to the traditional dictum of public service broadcasting – to inform and educate as well as entertain – although the Government also wishes to protect Channel 4's remit to provide innovative programming.

The main exception for ITV will be an obligation to continue providing regional programming and carry news.

The Government is, however, determined that there should be competition in the provision of commercial television news. The White Paper, which is expected to be published in late October or in November, will say that the new ITV franchise holders will be under no obligation to take their television news service from the present supplier, Independent Television News.

This could be a serious threat to the future of ITN, which is a wholly-owned subsidiary of the ITV companies.

If a number of new companies win franchises through the tender process, as seems likely, they will be able to take their national and international news from any new organisation set up to compete with ITN.

The other main theme of the White Paper will be the introduction of new services to give the consumer more choice. Apart from a fifth channel, funded by advertising and able to reach about 70 per cent of the population, the go-ahead is likely for local television stations using microwave technology. It is, however, far from clear what frequencies can be made available for microwave television, which is totally dependent on a direct line-of-sight between the transmitter and domestic receiver.

A bill designed to create a new structure for British commercial broadcasting, including a vast potential expansion of commercial radio, will be introduced into Parliament next autumn and could receive the Royal Assent by July 1989.

Carlton Communications' Technicolor deal, Page 21

Minister hints at budget misjudgment

By Ivor Owen

MR JOHN MAJOR, the Chief Secretary to the Treasury, tacitly admitted yesterday that there may now be some grounds for arguing that Mr Nigel Lawson, the Chancellor of the Exchequer, should have been more cautious when he introduced his March Budget.

While refusing to accept that the Budget strategy had collapsed, he said in a BBC radio interview: "The Budget was not a misjudgment to any extent."

Labour leaders can be expected to focus the political spotlight on the "extent" Mr Major had in mind.

They attach significance to the fact that the first public admission by a member of the Cabinet that the Budget – which Mrs Margaret Thatcher, the Prime Minister, earlier described as "brilliant" – is now seen in a somewhat different light should have come from Mr Lawson's chief ministerial lieutenant at the Treasury.

Mr Major again strongly reaffirmed the Government's determination to avoid the imposition of credit controls as a means of curbing imports and reducing the record deficit on the balance of payments current account.

For the most part the tenor of his comments reflected the line laid down by the Prime Minister and the Chancellor that the difficulties with the balance of payments constitute no more than a temporary problem and are far removed from anything approaching a crisis.

At the same time Mr Lawson's supporters acknowledge that he cannot expect to repeat the triumph he scored, as one of the perceived architects of Mrs Thatcher's 1987 election victory, at last year's Conservative Party conference.

He forecast then that his policies would continue to achieve what had previously been thought impossible – a growth rate faster than that of any other major economy in the world while keeping inflation low.

Predictably, Mr Major refused to be drawn on a suggestion that the latest Retail Price Index, to be published on Friday, will show inflation running at an annual rate of 6 per cent.

He urged Conservative critics, who fear the electoral consequences of the higher mortgage payments resulting from base rates having climbed to 12 per cent, to recognise that many first time buyers would have been priced out of the market altogether had the spiral in house prices continued.

Mr John Smith, Labour's shadow Chancellor, renewed his charge that the statements made by Mr Major over the weekend were full of "complacency and self-delusion."

He accused ministers of failing to take into account the damaging effect of high interest rates

Strong backing for Mr Lawson, Page 9

Talks continue to end postal dispute

By Jimmy Burns, Labour Staff

THE POST OFFICE said last night it hoped it was close to an agreement with the Union of Communication Workers that would pave the way for a resumption of normal postal services later this week.

However, the moderate national executive of the union, which meets today to consider a draft return-to-work agreement, was yesterday believed to be facing intense pressure from some of its more militant rank-and-file members not to capitulate on two particularly contentious issues: the use of casual staff to clear the backlog of mail, now estimated at about 150m items, and the diversion of mail away from militant depots which are likely to remain on strike.

Post Office officials said that talks were continuing last night between Mr Bryan Roberts, Personnel Director for the Royal Mail (letters) and UCW assistant general secretaries, aimed at securing a "deal that would stick".

The Post Office denied reports that individual postal workers would be required to give a written pledge to "work as directed", including handling mail from depots still on strike, or else face immediate suspension without pay.

However, its officials did indicate that the Post Office was aiming to build a guarantee along these lines into a national agreement with the UCW, in return for not penalising individual workers.

According to the Post Office, the basis for agreement on the issue at the core of the dispute – the payment of special bonuses to attract and retain recruits in the south-east of England – was reached last Thursday.

Some UCW officials last night described hopes of a peace deal as "premature" and insisted that there were "stumbling blocks" that still needed to be overcome. Mr Derek Hodgson, the UCW's national organiser, said: "All the messages we're getting from our members is that attitudes are hardening."

Even with an agreement, the Post Office said it would take anything "from one to two weeks" to clear the backlog and return to normal.

One of the main problems facing both the Post Office and the leadership of the UCW is that they are trying to reach agreement at a national level, at a time when industrial relations have become more decentralised and, according to the union, more prone to conflict.

Mail order survey, Page 9

Promotion of unleaded fuel 'could be stronger'

By John Griffiths

THE GOVERNMENT appears likely to face growing criticism of its role in promoting the use of unleaded fuel, following its publication on Friday of rules requiring new cars to run on the fuel starting from October next year.

Nearly two-thirds of the 20.5m cars on UK roads could be run on unleaded fuel now, although most would require a minor modification.

However, unleaded currently accounts for only 1 per cent of total car fuel sales, despite its now being available at nearly 10 per cent of the country's 21,000 filling stations.

The Campaign for Lead Free Air (CLEAR), some vehicle makers and fuel companies are questioning whether the Government is doing enough to promote unleaded fuel, whether through fiscal measures or by direct promotion.

A spokesman for the Petroleum Industries Association said at the weekend that "a further educational process is needed – and arguably the basic financial incentive to motorists is not there."

Currently, a tax differential in favour of unleaded fuel translates into unleaded being about 6p per gallon (about 1.3p per litre) cheaper than four-star leaded petrol at the pumps. It has taken substantially larger differentials on the Continent – more than 12p per gallon in West Germany – to lift sales substantially.

CLEAR, some oil companies and car makers argue that the Government should itself be spending more of its expected £1.18bn tax take from petroleum this year to promote unleaded fuel more actively, possibly by televised information campaigns.

An Environment Department spokesman said it had issued several leaflets on the subject for distribution by the Automobile Association, Royal Automobile Club and other motor-related interests

Ministers had also spent time promoting the fuel. However, the Department could identify only one specific funding project: a grant of £20,000 a year to help CLEAR run its own campaign.

Background, Page 10

Business split on manager training in computer use

By Alan Cane

SHARPLY CONTRASTING views of the value of management education to the effective use of information technology by UK business emerge in two reports published today.

The British Institute of Management and management consultants Coopers and Lybrand, authors of one of the reports, blame non-existent or indifferent IT education and training for the fact that most managers complain that they are poorly equipped to understand or exploit IT.

Some two thirds of British managers either use information technology daily or supervise its use by others, the authors say, yet less than half are happy with their own level of knowledge. A quarter of those responsible for training others in the use of IT or for managing training programmes believe their knowledge of IT is not up to scratch.

In contrast, the OTR Group, an international consultancy based in Brussels which specialises in the legal implications of modern technology, argues in its study that while management education is important, it is a minor element in the innovative use of IT for competitive advantage. Instead, it says, the most important factors are new ways of allocating responsibility for IT within the company.

The two reports are the latest in a series of studies from a wide range of organisations which indicate that the UK is still failing to make the best use of IT.

The BIM/Coopers and Lybrand study says there is a significant lack of investment in education and training in IT at middle management level.

The OTR study, based on a survey of companies in the UK and the Netherlands, found there was a high level of complacency in many firms about IT.

Some 65 per cent of IT budgets were aimed at increasing the efficiency of existing computer systems and only 15 per cent at applications that could give a company a competitive edge.

Manager and IT Competence, British Institute of Management, Cottingham Road, Corby, Northamptonshire. £25 to BIM members, £50 to non-members.

What Provokes Creative Use of Information Technology – Is It Management Education? OTR Group, Rue du Commerce 124, 1040 Brussels, Belgium. Available on subscription.

Mellor urged to foot £6m hospice nurses' pay bill

By Ivor Owen

THE Government has been urged by Ms Harriet Harman, Labour's shadow health minister, to provide £6m that hospices – mainly financed by voluntary contributions - need to ensure that the pay of nurses they employ is kept level with those working in NHS hospitals.

In a letter to Mr David Mellor, Health Minister of State, she gave a warning that without financial help from the Government hospices would not be able to retain and recruit nurses and might be forced to cut beds.

So far the Government has avoided making any commitment to help hospices to finance the 15.3 per cent salary increases needed to match the recent pay award to NHS nurses on the ground that to do so might undermine the voluntary fund-raising on which they normally rely.

Ministers have also argued that hospices should look to district health authorities to help them to overcome any difficulties arising from the nurses' pay award. Ms Harman says hospices that have approached health authorities have received a negative response.

Straw's propaganda coup in the education battle

David Thomas reports on the Labour spokesman's strategy and search for ways to reform schools

THE announcement at the weekend that the Public Accounts Committee, Parliament's financial watchdog, is likely to investigate City Technology Colleges marks the return to the fray of Mr Jack Straw, Labour's education spokesman.

Mr Straw has been plugging away at CTCs, the new business-sponsored, technology-based secondary schools in the inner cities, the first of which opens in Solihull today. The Government's need to pour money into the CTCs, contrary to its original intention, will prove an Achilles heel in its educational policies, he argues.

So Mr Straw, at 42 already widely regarded as one of the most effective performers on Labour's front bench, was well pleased to return from the summer break with an announcement that gave credence to his contentions – another little propaganda coup in his continuing struggle with Mr Kenneth Baker, the Education Secretary.

Fighting the Government's overwhelming majority and a master of publicity in Mr Baker, Mr Straw still managed to notch up some victories during the passage of the Education Reform Act.

Helped by damaging Whitehall leaks, he skilfully fed the public perception of tension between the Prime Minister and Mr Baker over aspects of the Government's educational reforms.

More negatively, Mr Straw has been working hard on a damage limitation exercise to ensure that the volatile London Labour boroughs accept their new responsibilities after the break-up of the Inner London Education Authority.

But Mr Straw is returning in the new political year to a test that dwarfs anything he has faced so far. He has to start wresting the initiative in educational debate away from the Conservatives.

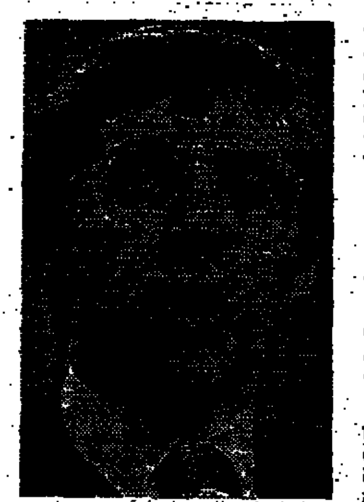
One of Mr Baker's favourites lines is that Labour no longer has any educational policies: the Conservatives are coming up with all the bright ideas in an area that used to be a Labour preserve.

Mr Straw naturally rejects the charge. Yet there is enough truth in it for the coming year to be crucial for him and for Labour. He must begin to put together an alternative vision to match Mr Baker's. His performance on this will help to determine whether Mr Straw is ultimately seen only as a middle ranker, or as someone with greater potential.

Mr Straw starts with some advantages. He is joint chair of one of the working groups in Labour's policy review, that on consumers and the community, which has the task of showing that Labour is serious about its new-found interest in consumers. He promises that educational concerns will feature heavily in the working group's deliberations this year.

Moreover, Mr Straw is firmly in the camp of Labour's modernisers. With experience of the educational world stretching back to the late 60s and early 70s, when he was president of the National Union of Students and then deputy leader of Ilea, Mr Straw is prepared to criticise Labour's record.

"We weren't unequivocal enough in the pursuit of high standards," he admits. He adds that while he was on Ilea the ruling Labour group lacked the tools to deal with bad schools.



Jack Straw: 'No Holy Grail waiting to be discovered.'

Although close to the teaching unions, Mr Straw is adamant that the interests of educational consumers – children and students – must come above those of teachers. His pronouncements on giving parents a bigger say over education have ruffled feathers in the unions.

Yet Mr Straw is handicapped by his own acknowledgement that Labour cannot hope to come up with a Big Idea, similar to the Conservative belief in the market and parental choice. "I don't believe there's a Holy Grail waiting to be discovered," he accepts.

Labour is forced to fight on two fronts: both defending the comprehensive idea, which Mr Straw sees as an unqualified advance, and coming up with proposals for improvement.

It is still possible for Labour to become identified as the party most committed to raising standards for all schoolchildren, argues Mr Straw, who cites the recent finding by the Commons education committee that school standards have levelled off since 1984 after steady improvement since the mid-1970s. Moreover, he sees teacher shortages as the issue that will increasingly dominate the standards debate.

Mr Straw points to the need to restore teachers' morale and self-respect if the profession is to become attractive again, especially since no government could pay all teachers the sort of salary to which some within the profession occasionally aspire. He plans to devote part of the autumn to the proposal for a General Teaching Council to underpin teachers' professionalism, an idea which cuts little ice with the Government.

Ideas like that, together with his plan for home/school contracts setting out the rights and obligations of both school and parents, may help Labour out of its educational impasse.

Too many of Labour's proposals in the past have seemed to revolve around a big increase in public spending. While Mr Straw remains committed to introducing the proposals over a phased period, the real challenge is for him to come up with a series of reforms that does not depend on throwing money at the schools.

Confectioners urge change to VAT on food

By Lisa Wood

ALL FOOD should be treated the same for taxation purposes, Mr Charles Gillett, president of the Biscuit, Cake, Chocolate and Confectionery Alliance (BCCCA), says in his annual review.

Mr Gillett's comments concern what he considers to be the anomaly of value added tax being imposed on confectionery and biscuits but not on a range of non-confectionery foods.

The alliance says that under present legislation, confectionery and chocolate biscuits are seen as luxury items and are taxed accordingly while caviare and smoked salmon are regarded as everyday food and are not subject to the same tax.

The alliance lobbied the Government before the last Budget to abolish VAT on confectionery. The Government responded by imposing VAT on cereal bars which had previously been exempt.

Campaign to put the green into shopping

By Maggie Urry

THE LAUNCH today of Green Consumer week - marks an effort to mobilise the power of consumers to influence manufacturers and retailers to offer products that do not harm the environment.

Safeway, the supermarket chain owned by Argyll, is a sponsor of the launch event. Other backers include; Hatchards, the book sellers, the Body Shop, which sells no toiletries that are tested on animals, Friends of the Earth, the environment pressure group which is organising a nationwide green consumer action day, World Wide Fund for Nature (formerly the World Wildlife Fund), and the RSPCA.

Coinciding with the campaign is the publication of the Green Consumer Guide, a book subtitled "from shampoo to champagne – high-street shopping for a better environment." The book offers advice on which brands of goods and which retailers should be patronised or avoided.

It advises boycotting fish fingers containing Icelandic fish – to put pressure on Iceland to stop whaling; avoiding mahogany toilet seats – which require cutting down tropical forests; and bat-friendly treatment fluids for wood.

Readers are reminded: "It is important to tell stores that you are boycotting particular products, and why, or your protest may go unnoticed."

The book, written by Mr John Elkington and Ms Julia Hailes, is not printed on recycled paper. Victor Gollancz, the publisher, says that at the time it was being planned recycled paper cost three times as much as ordinary paper, would have taken four months to produce, was of poor quality and would have added over £2 to the £3.95p price of the book.

However, Gollancz says paper mills are responding to pressure, the price is falling and quality improving, so that future reprints of the book will probably use recycled paper.

The green movement already claims successes such as the switch away from aerosols using chlorofluorocarbons (CFCs), which are believed to damage the earth's ozone layer, and the move to unleaded petrol.

Friends of the Earth is also claiming a victory as Habitat, the furniture and furnishings retailer, part of the Storehouse group, has decided to phase out products made of wood from tropical rain forests.

The week is being used to launch other initiatives.

The British Plastics Federation has put forward the idea that "green-minded consumers should opt for plastics" arguing that plastics use less energy to produce than glass in packaging.

The federation is also promoting the recycling and waste management of plastics.

Last Friday an alternative to aerosols was launched by Exxel, a private US company, which has appointed Osmond, a UK aerosol filling company owned by Talbex, a quoted packaging company, as its distributor in the UK and Eire.

Merlin Fund Management, which runs the Merlin Ecology Fund, an authorised unit trust, has published a report on supermarkets that aims to "identify the most attractive investment for the investor who has a concern both for the environment and the bottom line." It selects Argyll as the best buy, with Tesco an attractive investment.

Companies are using the green week opportunity to emphasise their environmental policy. J. Sainsbury, the supermarket group which is awarded four stars along with Safeway by the Green Consumer Guide, has restated its policies on the environment, including site acquisition, architecture and store development, energy saving, CFCs – all its aerosols will be CFC-free by the end of October - organic food and drink, additives and preservatives, and packaging and recycling.

Obituary

Sir Thomas Gore Brown: senior broker

SIR Thomas Gore Brown, who died last week aged 70, was responsible for selling government debt during eight of the most turbulent years in recent economic history.

Between 1973 and 1981 he acted as senior government broker, advising on and carrying out the sale of government stock.

He was highly regarded for the skill with which he managed the Government's soaring funding needs while at the same time, and in the best traditions of the job, maintaining his own equanimity.

From 1948 to 1981 he was a partner in Mullens, the brokers. The firm's senior partner has traditionally acted as government broker.

Sir Thomas, who was knighted in 1981, was treasurer of the Imperial Cancer Research Fund from 1980 until earlier this year, when he became vice-president.

Supplier of industrial gas poised to break monopoly

By Maurice Samuelson

A NEW company headed by Lord Ezra, the former National Coal Board chairman, believes it is poised to break British Gas's monopoly as sole supplier of natural gas to British industry.

Associated Gas (AGas), founded in London less than a year ago, says it is within two or three months of tying up a series of interlocking contracts enabling it to start distributing gas to its own customers early in 1991.

Although the initial sales will be only about 100m therms, worth about £25m a year, Mr Bill Withycombe, AGas's deputy chairman, says he aims to increase the volume tenfold within a few years and expects other companies to also enter the market quickly.

AGas is a 55-45 per cent partnership between Associated Heat Services, headed by Lord Ezra, and Hadson Gas Systems, of Dallas, Texas, the largest independent third-party gas marketing company in the US.

Associated Heat Services, of which Mr Withycombe is managing director, is the UK's largest contract energy management company and purchases £30m worth of fuels a year.

According to Mr Withycombe, AGas will use British Gas's distribution system to transport gas from North Sea producers to about 12 industrial customers in different parts of Britain at prices "marginally cheaper" than those available from British Gas.

Third-party selling of gas via *British Gas's distribution* grid was allowed for when the industry was privatised in the 1986 Gas Act. However, this form of trading has not taken place because all the current gas reserves in the North Sea are committed to British Gas until the 1990s.

After negotiating this year with about five North Sea producers, AGas appears to have won commitments for more than 100m therms a year, which it hopes to start marketing in early 1991.

Mr Withycombe, who recently gave evidence to the Monopolies and Mergers Commission inquiry on British Gas's contract pricing, says he is encouraged by reports that the commission will urge that BG should in future be prohibited from buying up the entire production of new gas fields.

In the interests of competition, it is expected to recommend that gas producers must sell 10 or 15 per cent of a field's output directly to industrial companies or to brokers.

Mr Withycombe would also like to "tear off the blanket of secrecy" from the terms on which British Gas supplies contract customers with more than 25,000 therms a year. That would mean obliging British Gas to publish a rates schedule *of its contract prices.*

AGas is also anxious to purchase gas for electricity production in about 30 proposed combined heat and power projects, which would generate industrial steam as well as power for their owners.

At present, says Mr Withycombe, such schemes are uneconomic because of British Gas's policy of charging a 25 per cent premium on sales of gas for electricity production.

Hadson, the US partner in the AGas joint venture, helped to pioneer the development of third-party gas marketing in the US when the gas industry there was deregulated about six years ago. It is now the biggest independent marketing company, with about 2 per cent of the total natural gas market.

Before it came on the scene, about 100 gas producers had a stranglehold on the US market. After use of anti-monopoly legislation, 80 per cent of US gas sales are now managed by between 30 and 40 third-party gas marketing concerns led by Hadson.

Textile and clothing imports up

By Alice Rawsthorn

THE TEXTILE and clothing industries suffered a sharp deterioration in the balance of trade in the first half of the year because of a rapid rise in imports and slower growth in exports.

The influx of textile and clothing imports increased by 12 per cent to £3.4bn between January and June, according to the latest statistics from the British Textile Confederation. The rate of increase slowed *slightly in the second quarter* but not enough to prevent the textile sector from suffering a fall in output.

Exports rose by just 4 per cent to £1.7bn in the first half, as the rise in the value of the pound made it increasingly difficult for UK companies to compete in overseas markets. Japan emerged as the most dynamic export market.

The combination of increasing imports and slower exports fuelled a 20 per cent rise in the trading deficit to £1.7bn.

Mr Ian MacArthur, director of BTC, said that the increase in imports is one of the chief causes of short-time working in some areas of the industry.

The textile and clothing industries suffered severely in the *economic recession of the* early 1980s and underwent radical rationalisation.

The boom in consumer spending and a relatively stable exchange rate enabled the industries to reach an equilibrium in the mid-1980s.

Since last autumn, when the pound began to rise on the foreign exchange markets, textile and clothing companies have been affected by a fresh influx of imports.

The clothing industry saw imports increase by 14 per cent to £1.4bn in the first six months of 1988. Consumer spending was buoyant and, in spite of the surge, clothing companies managed to maintain output.

In contrast, the knitwear sector has suffered a drop in *demand. That was partly* because of increasing imports and partly because of the change in fashion away from knitwear.

The textile industry saw output fall, after an 11 per cent increase in imports to £1.6bn. The weakest area was acrylic spinning.

Plan for £67m office development beside NEC

By Richard Tomkins, Midlands Correspondent

EROSTIN, the Milton Keynes-based property developer floated on the stock market in July, plans to build one of the biggest commercial developments in the West Midlands. The proposed 12-acre site is alongside the National Exhibition Centre outside Birmingham.

The company is seeking outline planning consent to build a £67m complex of seven individually designed office buildings – one of them a multi-let business centre – with a total floor space of 290,000 sq ft.

The site for the proposed development is a prime strategic location, sandwiched between Birmingham International Airport, Birmingham International railway station, the NEC and Junction 6 of the M42.

The land is owned by Erostin and has been designated by local planners for use related to the airport and exhibition centre.

Erostin said the development would meet the demands not only of airlines and travel companies looking for new offices near the airport, but also those of smaller service companies wishing to take advantage of the area's business potential.

The proposed development is indicative of the strength of the West Midlands economy, which has shown no signs of flagging, in spite of worries over interest rates and the predicted slowdown in the pace of national economic growth.

Mr John Upson, Erostin's chairman, said the buoyancy of the region was feeding through into increased *demand for office space*, particularly linked to the airport and exhibition centre at Birmingham International.

Mr Upson said: "Given the site's superb geographical location, with some of the best *road and rail links in the* country, we anticipate demand being extremely high."

Erostin's application for planning consent has been lodged with Solihull Council. If permission is granted, work will begin next year, and the probable completion date will be some time in 1992.

Air of economic calm in Whitehall

Peter Riddell on continued Tory faith in the Chancellor's policies

WHATEVER the worries about the British economy of the "teenage scribblers" in stockbrokers' offices, there are no apparent signs of crisis in Whitehall or Westminster.

John Biffen: One of the small group of Tory critics

The predominant view among ministers returning from holidays, and of the few Tory backbench MPs visiting Parliament during the recess, is of strong backing for Mr Nigel Lawson, the Chancellor of the Exchequer.

One senior minister commented: "Nigel has seen us through previous problems and we all feel he'll do so again. He's ensured that the economy is strong enough to cope with the current difficulties."

Senior Tories recognise, however, that the Government *may go through a rough passage* with voters, and in opinion polls, later this autumn when the latest mortgage rate increase is implemented.

But the general mood is calm, in contrast with the nervous tone of recent brokers' circulars, as ministers are willing to give Mr Lawson the benefit of the doubt in view of what they see as his successful *record.*

Ministers regard the difficulties over the current-account deficit and the big jump in mortgage lending as being similar to previous episodes when interest rates had to be raised. They are *not too worried* about the political impact because there are at least 2½ to three years before the next general election.

Tory MPs generally support the Treasury desire to avoid anything that might be seen as panic action, as well as the attempt to ride out the increased current-account deficit by relying on higher interest rates.

Such confidence among ministers might change if further action, such as a steep rise in interest rates, is forced as a result of another very poor set of trade figures.

The only significant dissent from this mood comes from a small, although prominent, group of Tory MPs, including Mr John Biffen, former Leader of the Commons, and Mr Nicholas Budgen, a member of the Treasury committee. They *criticised the March Budget* at the time for the size of the tax cuts and they have been worried about possible inflationary dangers of excessive monetary expansion.

The main concern among *ministers is the round of discussions* with the Treasury on public expenditure plans which has just started. Spending ministers are worried about Treasury talk of a tough round after recent market jitters.

While this talk is familiar propaganda for this time of year, ministers are concerned about the implications of cutting back excess bids of £9bn to keep as close as possible to the existing planning total.

In particular, relevant ministers have been counting on more money for the police and prisons, to deal with anomalies produced by last spring's social security changes, to accompany the *forthcoming* health service review, to support the shake-up of the education system and to sustain spending on defence, particularly the navy.

Treasury ministers have, however, been arguing that the *National Health Service has* already received substantial extra funding as a result of the nurses' pay awards, and that any changes in the structure of the service should not be particularly expensive. That view *is not shared by the new ministerial* team at the Department of Health.

Mail order companies 'do not rely on Post Office'

By Maggie Urry

MOST OF the leading mail order retailers no longer rely on the Post Office, says a study on the sector by Verdict Research, the retail consultant.

The seven-week postal dispute in 1971 persuaded the catalogue mail order groups to spend vast sums on taking the "mail" out of mail order. The companies are trying to popularise "home shopping" as a new name for the business.

Great Universal Stores and Littlewoods, the two largest companies, have massive fleets of vehicles to deliver to their customers. Only Freemans, taken over at the beginning of the year by Sears, would suffer badly from a prolonged dispute, as no more than 25 per *cent of its merchandise uses* the company's own transport.

Verdict says it is not as optimistic as some commentators on the outlook for the home-shopping sector.

Although Verdict predicts that home shopping will take a higher share of retail sales, reaching 3.8 per cent in 1992, from 3.5 per cent now, it says that there are worsening cost pressures on the companies.

For example, agent productivity has declined for some years – traditionally agents, who hold the catalogues, would sell to a number of friends, taking a 10 per cent commission.

However, the number of customers per agent has fallen below three, so companies have to produce more catalogues to reach the same number of people.

Nor will "specialogues," specifically targeted booklets, which Verdict calls "the sector's answer to niche retailing," be the saviour of home shopping. So far, a number of *specialogues have failed*, largely, Verdict says, because of a "lack of sophisticated database analysis."

In the longer term, mail order will have to face up to the single European market and the prospect of "tele-shopping," placing orders by means of a television set.

Sony may further expand S Wales television plant

By Anthony Moreton, Welsh Correspondent

SONY IS considering a big extension at its television and tube plant in Bridgend, South Wales, just a month after completing a £30m expansion at the works.

The company, the largest Japanese manufacturer in Britain, with 1,400 workers, is making a case for the extra spending to its head office in Japan. A decision is expected this year.

It has also opened talks with the Welsh Office in Cardiff over the possibility of obtaining regional grants towards the cost.

Although Mr Suehiro Nakamura, director of Sony (UK), would not comment on the total cost, it is thought *unlikely to be less than* the £30m that has just been spent.

A result of such extra spending might be a line to produce small, 14-in television sets. Since these were introduced to the British market in May, production at Bridgend has increased to an annualised figure of 160,000.

These sets, unlike larger ones, are brought in from Japan and assembled in Wales.

Sony was stung earlier this year by the implications of an article in an Institute of Welsh Affairs journal that Japanese companies in Wales were little more than screwdriver operations, merely assembling products with largely unskilled women employees.

Although not directly named, Sony has been *anxious* to be seen as a legitimate manufacturer.

It points out that 43 per cent of its staff are men, with more than 100 of its managers and engineers having university degrees and almost 250 more having a professional qualification.

Mr Nakamura said: "Over £15m was spent last year on extensions to the tube plant." Sony makes tubes on site at Bridgend and buys many components from other Welsh concerns, he said.

Changes at H.P. Bulmer

■ Mr Brian Nelson has been appointed deputy chairman of H.P. BULMER. He continues as group managing director and chief executive until January 3 when he will relinquish his executive position and Mr John Rudgard will be appointed group managing director and chief executive. Mr Rudgard is currently managing director of H.P. Bulmer Drinks.

■ Mr John W. Cumming has been appointed group finance director of BRAMMER. He was formerly with the Plessey Group.

■ Mr Laurence Hill, deputy chairman of Beatson Clark, has been appointed non-executive chairman of DAVIS BUILD, the Sevenoaks-based property development company.

■ WILLIAM COLLINS has appointed Mr Terry Kitson to the board. He is managing director of the international book division.

■ Sir Frederick Crawford, vice-chancellor of Aston University, has been appointed a non-executive director of LEGAL & GENERAL GROUP.

■ JAMES CAPEL UNIT TRUST MANAGEMENT has appointed Mr Nigel Legge sales director and Mr Roy Brooks finance director. Mr Legge was director, offshore operations, at Henderson Unit Trust Management. Mr Brooks joins from John Govett where he was group finance director.

■ Mr T.E.P. Stevenson has become chief executive of the sealants division of BURMAH SPECIALITY CHEMICALS. He joined the group in 1975 and has had a variety of positions in the group, including corporate development manager and chief executive of Castrol Spain.

■ Mr Howard Kirkham has been appointed finance director of the CHLORIDE GROUP. He spent over five years in a number of finance positions with Austin Morris before becoming plant director with Land Rover being responsible for the manufacture of engines, axles and gearboxes.

■ Mr Martin Jaskel, previously an executive director of Greenwell Montagu Gilt-Edged, has been appointed to the new position of treasury sales director at MIDLAND MONTAGU, the international and investment banking arm of Midland Group.

■ INSURANCE TECHNOLOGY SYSTEMS, part of the Excess/London & Edinburgh Insurance Group, has appointed Mr Robert McCrindle to the board. He is a member of Parliament and a director of M & G Assurance Group.

■ Mr David S. Winterbottom has joined the board of CARNON HOLDINGS as a non-executive director. He is group managing director of Evode Group. Carnon operates the South Crofty and Wheal Jane tin minnes in Cornwall.

■ BAIN CLARKSON INTERNATIONAL INSURANCE BROKERS has appointed Mr Derek Bayley as a director of its reinsurance division. He was director of the captive division of Alexander Howden.

■ Dr D.R. Pearce has joined the board of TIOXIDE GROUP.

■ Mr Alan Craft has become the director in charge of the group credit department at KLEINWORT BENSON. He was senior credit officer for Europe, the Middle East and Asia at Prudential Bache Securities in London.

■ Mr Bob Davidson, managing director of GEC Power Systems, has become chairman of the NATIONAL NUCLEAR CORPORATION in succession to Sir Frank Gibb who has resigned. The appointment follows the transfer on August 31 of the Government's 35 per cent shareholding in NNC to the General Electric Co.

Pumping out the facts on unleaded fuel

John Griffiths finds out why Britain is lagging in the drive towards 'cleaner' cars

THE DRIVE to reduce poisonous lead levels in the atmosphere will gain fresh momentum in the next few weeks as Ford Escorts and Orions with 1.3-litre engines designed to run on both unleaded and leaded fuel start reaching dealers.

But these environmentally cleaner versions of the UK's best-selling cars are being launched into a smog of confusion among consumers about what unleaded fuel is and which cars can use it.

It has prompted questioning by Mr Roger Humm, Ford UK's managing director, among others, of the Government's role in promoting unleaded fuel and whether it is dragging its feet compared with oil companies and car makers.

The new Escorts, and a revised 1.8-litre engine in the Sierra also capable of running on "unleaded" without modification, takes Ford closer to meeting EC legislation requiring all cars produced after October 1990 to be capable of running on unleaded fuel.

At their launch, Mr Humm emphasised that virtually all Ford's current models can run on unleaded petrol subject to minor modifications – a £10 job on a 1.6-litre Sierra.

Yet Ford is no "unleaded" trend-setter. Hundreds of models, even most much-maligned Soviet-built Ladas, some dating from the 1970s, can run on unleaded fuel. Many will need minor modification, but Vauxhall, for example, offers the work free on suitable models.

Around two thirds of the UK's 20.5m cars could use unleaded fuel if their owners chose. Petroleum Industry Association estimates show that owners could save £2m a week by using it, because unleaded is nearly 6p a gallon cheaper than leaded four-star.

The Society of Motor Manufacturers and Traders, PIA, Shell and other oil companies are running campaigns of their own to try to dispel confusion.

Underlying them, however, is a perceived lack of commitment by the Government to promoting unleaded petrol and providing fuel tax incentives to encourage its use.

The need to stop using lead is undisputed. It accumulates in body tissues and its effects include lowered intelligence levels in children. It can kill. UK car exhausts emit 3,000 tonnes of it a year.

But misconceptions continue to deter people.

The first is that a car modified to run on unleaded – usually involving retarding the ignition timing for less than £20 – can no longer use leaded fuel. That is of obvious concern, because filling stations selling unleaded are still relatively few.

In fact, such a car will run on either type of fuel.

Lead is used as an octane booster, to improve combustion and prevent engine pre-detonation or "knock." But modern refining gives unleaded fuel an octane rating halfway between four-star and two-star.

So once a car that ordinarily uses four-star has been modified to use unleaded, it can obviously continue to use ordinary four or three-star as well. The only drawback is a slight performance loss in some cars designed for four-star.

All cars designed to run on two-star can automatically use unleaded because of its higher octane rating.

Somehow, however, this straightforward situation has become perceptually entangled with that surrounding other exhaust pollutants: nitrogen oxides, carbon monoxide and hydrocarbons.

The best-known method of dealing with these is the catalytic converter. Cars fitted with "cats" cannot use leaded because lead particles coat the catalyst, rendering it useless.

Otherwise there is no link between removing lead as a pollutant from car exhausts, and eliminating the other categories of pollutants (held responsible for different environmental ills such as acid rain).

Only a handful of "cat" cars have been sold in the UK. New cars of over two litres will probably need them from 1990 onwards, but car makers hope stricter exhaust emission limits on smaller cars can be met by other means, such as "lean burn" engines.

Reluctance to convert conventional cars has been increased by the difficulty of finding out which ones can be adapted. Dealers should know, but many seem almost as confused as the public.

That has left motorists to contact the manufacturer, specialist bodies such as CLEAR (Campaign for Lead Free Air), track down government or petrol company leaflets – or forget the whole thing.

Some of the problem is that the Government has not been subject to the fierce environmentalist pressures that have driven up unleaded fuel availability to 100 per cent of fuel stations in the Netherlands, 90 per cent in Denmark and 75 per cent in West Germany.

Partly as a consequence, only 5 per cent of the UK's 21,000 filling stations serve it.

The numbers are now growing rapidly, with Shell, for example, investing £56m to introduce it to 1,000 of its stations by the end of this year. Mr Tony Fox, PIA executive director, says nearly 5,000 garages will have it by the end of next year – fulfilling, just, the UK Government's undertaking to the EC to have the fuel "widely available" by October 1989.

However, so far the undertaking is being met largely at petrol companies' expense.

Introducing unleaded will not mean any overall increase in petrol sales, even though the industry would need to spend £1bn-plus to equip every UK site. Unleaded is also more expensive to refine, although the industry covers that cost in the reduction of a 10.5p a gallon tax differential to a gap of only about 6p at the pumps.

Yet in spite of this rapidly growing investment, unleaded sales are bumping along at just 1 per cent of all petrol sales.

It is thus ironic that, without fresh government initiatives, sales appear likely to be accelerated only if oil companies spend yet more of their own cash on promoting them.

Mr Humm is among those asking whether the Government should increase the tax differential further.

West Germany provides a precedent for doing so. A pump price differential of 12p was needed before unleaded sales took off to their present market share of 11 per cent.

The answer, CLEAR suggests, lies with the Government. "The message needs to reach every household, and it's the Government with the resources to do that..."

GE Capital sets up London operation

By Charles Batchelor

GE CAPITAL, the financial services arm of General Electric Company of the US, has established a team in London to break into the European market for management buy-out and acquisition finance.

GE Capital Corporate Finance Group, as the UK-based operation is known, has a staff of six people.

The company expects to provide loan and equity funds to finance buy-outs of more than £10m. It will also provide expansion finance for companies that might otherwise have sought a public listing.

It is not raising any funds specifically to finance deals in Europe, but will draw on GE Capital of the US, which has a balance sheet worth $36bn (£21.8bn).

The company plans to specialise in providing mezzanine finance – high-yielding loan notes that rank after secured loans but before equity in the event of the borrower failing. It expects to be able to back individual buy-outs with up to £200m of mezzanine funds.

Mr Rodney Hall, head of the operation and a former director of 3i, the largest UK venture capital company, said the increased availability of mezzanine funds should allow an increase in the size of buy-outs carried out in Britain and may also make it easier to take public companies private.

Mezzanine finance has become popular over the past two years as a way of financing deals that could not attract enough secured loan and equity finance. However, many institutional investors have been reluctant to back deals involving large amounts of mezzanine, Mr Hall said.

GE Capital Corporate Finance would be able to underwrite large buy-outs on its own, subsequently selling on parts of the deal to other investors. Initially, however, it intends to work jointly with other institutions in negotiating and financing deals.

The company is currently negotiating two secondary financing deals worth £20m-£30m each. It has recruited a mixture of British and US executives in an attempt to avoid the difficulties that have dogged some of the American executive teams sent to London in recent years.

The London office will also handle cross-border buy-outs involving companies with operations in more than one European country. GE Capital plans to set up an office in Paris in the next 18-24 months to develop domestic buy-outs in France.

GE Capital, which last year changed its name from GE Credit, started out providing leasing finance for customers buying domestic appliances and industrial equipment from General Electric. The company has invested over $7bn in the past three years to finance buy-outs and corporate restructuring plans in the US.

CREDIT WHERE CREDIT IS DUE

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Yet it's more than likely that we were responsible for the technology behind the light, bend-where-your-foot-bends uppers.

As well as the rugged, waterproof soles.

In fact we've probably had a hand in every part of the shoe's design. And the next time you're in the car, take a good look around you. You won't see our name anywhere.

Yet the chances are that the light-weight materials in the chassis were developed by Akzo. As were the smooth textures of the upholstery. And the sturdy plastics that make up the dashboard.

Not to mention the tyres, reinforced by Akzo materials for firm grip and durability, the Akzo polyester yarn in the seat belts, and the glossy metallic finish on the paintwork.

Even the petrol has been made with the help of Akzo catalysts.

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Yet it is quite possible that the plane's frame has been reinforced using Akzo technology.

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(While you relax in a seat that was probably constructed from Akzo materials.) In fact, wherever there's a need for high technology light-weight materials, there's a need for Akzo.

Which is why our 70,000 workers in some 50 countries around the world are continually creating new materials for health care, travel and leisure.

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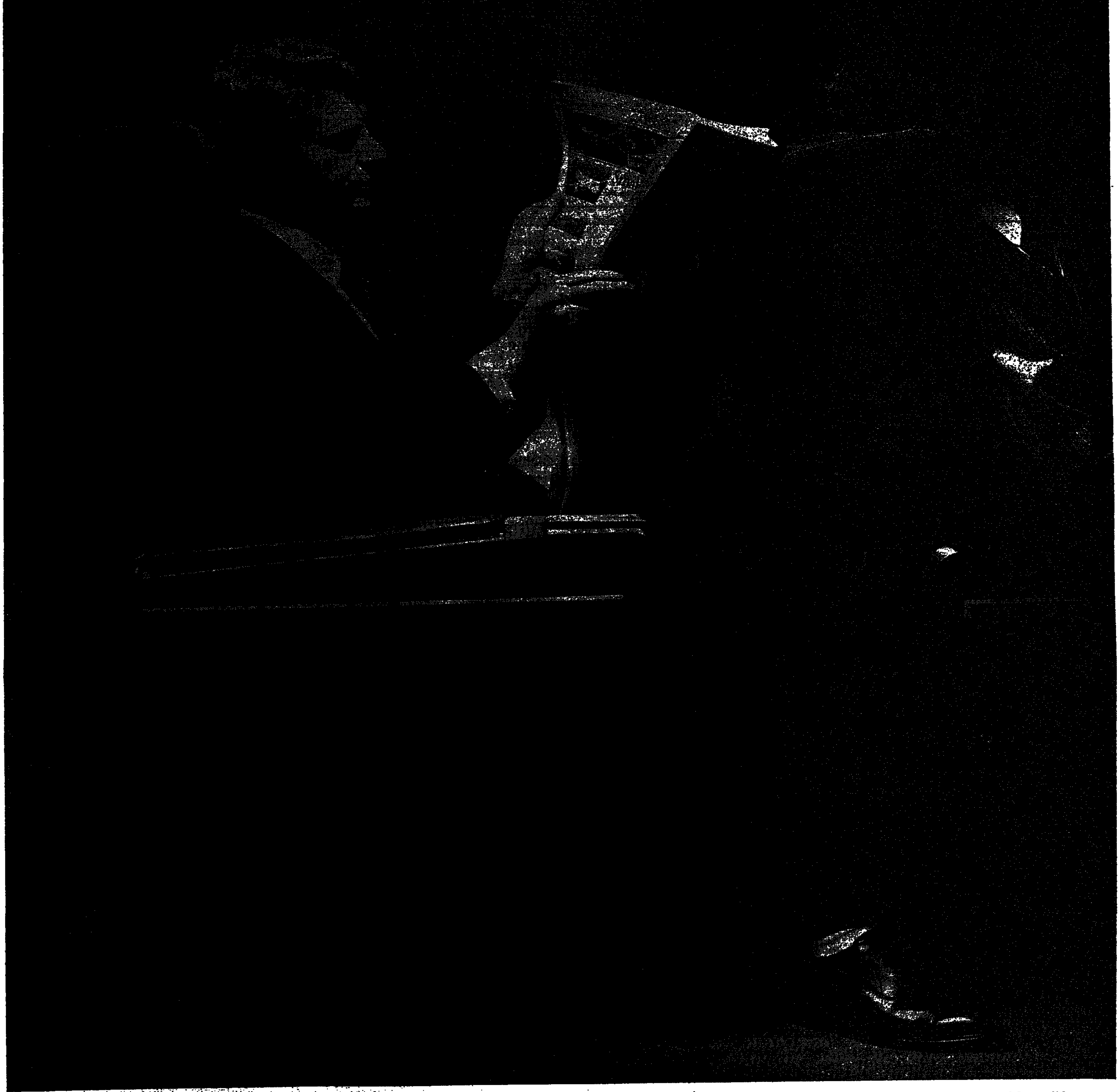
Akzo Arnhem (31) 85 66 36 33.

If this was Virgin Atlantic's Upper Class, the seat on the right would be on page 15.



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Mainly because the sleeper seats on Upper Class are 55 inches ahead of the sleeper seat behind.

Over one foot further than on any other airline, to provide more room for your two feet.

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Take a walk to the unique stand up bar and enjoy an in-flight drink. (The only way your legs will ache on Upper Class is if you stand up for too long.)

Or relax in one of the three lounge areas* and perhaps indulge in a game of chess or backgammon.

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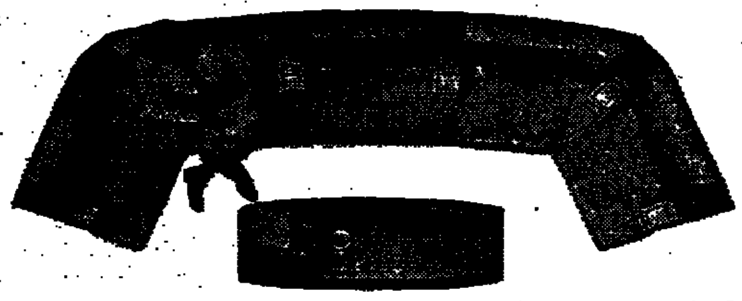

One, to transport you in style to Gatwick and the other, in New York, to whisk you away to your hotel, far from the madding crowds of the taxi ranks and rail stations.

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CONTRACTS

Battersea leisure scheme

HORSELEY BRIDGE, Tipton, part of NEI Thompson, has won a contract worth over £13m for the structural steelwork associated with the £200m redevelopment project which will turn Battersea power station into a "palace of entertainment."

This sub-contract has been placed by Sir Robert McAlpine Management Contractors. The work involves fabrication and erection of about 7,000 tonnes of structural steelwork and the installation of 80,000 sq metres of steel decking.

Palace project

A contract worth nearly £10m to restore fire-damaged Hampton Court Palace has been awarded by the Government. JAMES LONGLEY AND COMPANY, Crawley, West Sussex, was awarded the contract by the Property Services Agency to restore the Sir Christopher Wren state apartments which were seriously damaged by fire in March 1986. The Government said total restoration costs of which the contract forms the major part would be in the region of £10m to £12m with work taking about three years.

Drainage in Dubai

LILLEY CONSTRUCTION, a subsidiary of FJC Lilley, has been awarded a £7.2m contract for the construction of drainage systems and pipelines in the Al Karama area of Dubai. The contract is for the Dubai Municipality and will be of 30 months duration.

Office development for Southampton

PENTAGON, the Hampshire-based design and construction group, has been awarded a £13.5m contract to build an office scheme in the centre of Southampton. The Grosvenor Square development has been designed to retain the style of the square's Regency origins, and includes the restoration of existing Grade II listed buildings. Centred around landscaped gardens, the total development offers 168,000 sq ft of office space plus residential accommodation and extensive car parking facilities.

The sensitive location of the development necessitated close co-operation between Pentagon, its appointed architects, W.H. Anders & Son and Southampton City Council to recapture the elegant splendour of the original square. Work on the scheme, for the Brighton Worthing and District Property and Investment Corporation (BIC), is scheduled for completion early in 1990.

£20m orders for Wimpey

The Scottish region of WIMPEY CONSTRUCTION UK has been awarded work amounting to over £20m, a mix of public and private sector contracts for Asda, Strathclyde Regional Council, Edinburgh District Council and Renfrew District Councils.

Work has started on the £12.7m design-and-build contract for a single-storey bay-racked and shelved warehouse on the West Mains Industrial Estate, Falkirk, for Asda Stores. The 23,500 sq metre building with a height of 12 metres has a low-bay goods input area with a height of 6.5 metres, chill rooms, cold store, service area and loading banks.

In the public sector, the company is to build a school extension and undertake extensive housing work. A £2.7m contract is underway at the Johnstone High School, Beith Road, Johnstone, Renfrewshire. Due for completion in early 1990, the work covers a 461 sq metres games hall extension and additional accommodation formed by the construction of a mezzanine floor of 352 sq metres. Refurbishment work internally includes the remodelling of the senior school buildings, while externally windows and doors will be replaced and the concrete frame and brickwork upgraded.

In Edinburgh, Wimpey has been appointed main contractor by the District Council for the construction of 101 low-rise houses in 18 terraced blocks, at Bingham, Edinburgh. The houses will be of traditional construction and the £3.4m contract is due for completion in November next year.

Housing refurbishment contracts worth £2.1m have been awarded by Morgan Grenfell (Local Authority Finance) for Renfrew District Council and Cunninghame District Council. Improvements are being carried out to 211 low-rise houses in 45 blocks at Green Road, Paisley, and at Caldon Road, Irvine, the company is converting three-storey flats to two-storey structures.

Retailing in Glasgow

COSTAIN CONSTRUCTION, a subsidiary of Costain Group, has been awarded a £7.1m contract by BHS, part of the Storehouse, to fit out a store in the St. Enoch Centre, Glasgow.

BHS and Heal's will occupy store No. 1, an area of 8,495 sq metres on four levels within the development. The store will incorporate the BHS sales area at ground and first floors, Heal's sales area at first and second floors, a coffee shop with kitchen and public services, staff accommodation and plant rooms. The trading area will be serviced by three escalators and three lifts.

The contract calls for structural alterations including the installation of escalator pits and openings with further openings for the ventilation system. A heating, ventilation and air handling system will be installed together with electrical works designed in accordance with the BHS energy saving requirements with a maintained supply back-up generator. The contract has a duration of 39 weeks and is scheduled for completion in April 1989.

DIARY DATES

FINANCIAL

TODAY
BOARD MEETINGS-
Finals:
Consolidated Gold Fields
Dalgety
Magnetic Materials
Merivale Moore
Interims:
ASD
Andaman Resources
British Vita
Canning (W)
Cray
Coal Petroleum
Kerry Group
Lilleshall
M.Y. Holdings
Norfolk Capital
North Sea & General
Rugby Group
Suter
Sutherland Holdings
Travis & Arnold
Willis Faber
DIVIDEND AND INTEREST PAYMENTS-
Bulmer (H.P.) 3.945p
Chevron Corp. 65cts
Ferranti Intl. Signal 1.808p
Gartmore Info & Fin. Tst. 0.425p
Hambros 4p
Do. Non-Vtg. 2.1p
Harris (Philip) 3.9p
[illegible]
Lydenburg Platinum 74cts
[illegible]
Wells Fargo Fltg. Rate Sub. Nts. 1994 $203.80
Woollens Batterware 3p

TOMORROW
COMPANY MEETINGS-
CAP Group, 22 Long Acre, W.C., 10.00
Harland Simon, Peel House Hotel, 300 Saxon Gate West, Central Milton Keynes, 12.00
Rush & Tompkins, 16 Savile Row, W., 10.00
Westminster & County Props, 18 Grosvenor St., W., 11.30
BOARD MEETINGS-
Finals:
Armstrong Equipment
[illegible]
Macro 4
[illegible] Communications
Precious Metals Trust
Interims:
Brake Brothers
British Aerospace
Carlton Beach
Equity & General
Gaskell Broadloom
Hall Engineering
Hibernian Group
Iceland Frozen Foods
Invergordon Distillers
Johnston Press
LASMO
MTL Instruments Corp.
Matthews (Bernard)
Mayborn Group
Ocean Transport
P & O
Savoy Hotel
Scottish Heritable
Shires Investment Trust
United Plantations Africa
Ward White
DIVIDEND AND INTEREST PAYMENTS-
[illegible]
WEDNESDAY SEPTEMBER 14
COMPANY MEETINGS-
AAH Hldgs., Cafe Royal, Regent St., W., 11.30
Aitken Hume Intl., Hon. Artillery Company, City Rd., E.C., 12.00
BBB Design, 7 Lovell Lane, E.C., 12.00
Baker Harris Saunders, Chartered Insurance Institute, 20 Aldermanbury, E.C., 12.00
Bogod-Pelepah, High Holborn House, 52-54 High Holborn, W.C., 12.00
Courts, General Council of British Shipping, 30 St Mary Axe, E.C., 12.00
Cullen's Hldgs., Novotel Hotel, 1 Shortlands, Hammersmith, S.W., 10.00
Frith (G.M.), Cedar Court Hotel, Wakefield, 12.15
Goode Durrant, 5-13 Chiswell St., E.C., 11.00
Kewill Systems, Ashley House, 20-32 Church St., Walton-on-Thames, Surrey, 10.00
Priest (Benjamin), National Motorcycle Museum, Coventry Rd., Bickenhill, Solihull, W. Midlands, 2.30
Walmart, 21 College Hill, E.C., 12.00
Wyndham Group, Park Hotel, Park Place, Cardiff, 12.00
BOARD MEETINGS-
Finals:
Cook (D.C.)
London Merchant Sec.
Sanderson Murray & Elder
Scholes (G.H.)
Sirdar
Interims:
Abbott Mead Vickers
Admiral Computing
Baird (Wm.)
Candover Investments
Croda Intl.
FKI
Fletcher Challenge
Hall (Matthew)
Ibstock Johnsen
London Forfaiting
Pacific Sales Organisation
Prudential
Spear (J.W.)
Tibbett & Britten
Utd. Biscuits
Woolworth Hldgs.
DIVIDEND AND INTEREST PAYMENTS-
Bank Leumi (U.K.) 4.1p
[illegible]
Lovell (Y.J.) 2p
Tex Hldgs. 5.25p
Unidare 3.25p
THURSDAY SEPTEMBER 15
COMPANY MEETINGS-
Clark (Matthew) & Sons, Central Conference Centre, 90 Central St., E.C., 12.00
[illegible]
Howden Group, 195 Scotland St., Glasgow, 12.00
London International, Grosvenor House Hotel, Park Lane, W., 11.30
London Shop, Savoy Hotel, Strand, W.C., 12.00
Wyko Group, Birmingham Botanical Gardens, Westbourne Rd., Edgbaston, Birmingham, 12.00
BOARD MEETINGS-
Finals:
Peters (Michael)
Westpool Inv. Tst.
Interims:
BTR
British & Commonwealth
British Mohair
Carron Engineering
Guinness
Hewitt (J.) & Sons
McLaughlin & Harvey
Neill (J.)
Perry Group
Rolls Royce
Royal Dutch Petroleum
Royal Sovereign
SD-Scicon
Sale Tilney
Shell Transport
Taverner Rutledge
Trilion
[illegible]
FRIDAY SEPTEMBER 16
COMPANY MEETINGS-
[illegible]
Independent Inv. Co., Caledonian Hotel, Princes St., Edinburgh, 12.30
[illegible]
Ransom (William), 104 Bancroft, Hitchin, Herts, 3.00
[illegible]
BOARD MEETINGS-
Finals:
Brent Walker
Northern Ind. Tst.
Interims:
Accord Publications
Bedford (Wm.)
Breedon
Colorgraphic
Local London Group
Renwick Group
Yelverton Inv.
DIVIDEND AND INTEREST PAYMENTS-
[illegible]
SATURDAY SEPTEMBER 17
DIVIDEND AND INTEREST PAYMENTS-
Marler Estates 0.6p
SUNDAY SEPTEMBER 18
COMPANY MEETINGS-
Real-Time Control, Elton House, Elton Way, Watford, Herts., 12.00

Trade Fairs and Exhibitions: UK

Current
Gifts West (01-637 2400) (until September 14)
Bristol Exhibition Centre

September 13-15
COMEX 88 Exhibition and conference (01-778 5656)
Sandown Park, Esher

September 16-24
British Marine Industries Federation International Boat Show (0703 737400)
Southampton

September 25-27
International Garden and Leisure Exhibition - GLEE (01-390 2211)
NEC, Birmingham

September 27-29
Water and Environmental Management Exhibition and Conference (01-637 2400)
Eastbourne

September 27-29
City of London Wine Fair (01-638 4141)
Barbican, London EC2

September 28-30
National Finance Directors Exhibition and Conference (01-637 1133)
Business Design Centre, London

October 2-4
International Flower Trades Exhibition - IFTEX (01-486 1951)
Alexandra Palace, London

October 2-4
British Footwear Fair (01-739 2071)
Olympia

Overseas Exhibition

Current
International Autumn Fair (Zagreb 41/511-666) (until September 18)
Zagreb

September 13-18
International Motor Car Workshop, Service Station Equipment and Auto Spare Parts and Accessories Trade Fair (01-734 0543)
Frankfurt

September 18-21
International Hardware Show - QUOJEM (01-225 5566)
Paris

September 21-26
International Beverage Production and Brewing Technology Exhibition - CHINA BEVERAGE/CHINA BREW (0494 729406)
Beijing

September 26- October 2
International Technical Fair (0892 48111)
Plovdiv

October 5-10
Book Fair (01-734 0543)
Frankfurt

Business and Management Conferences

September 12
The Economist: 1992 – The implications for marketing, advertising and the media (01-839 7000)
Marriott Hotel, London

September 12
CBI/Marketing Society: Mastering the market (01-379 7400)
Centre Point, London WC1

September 13
CBI Conferences: European standards – Who needs them? (01-379 7400)
Centre Point, London WC1

September 14-15
Employment Research Unit annual conference: *New forms of ownership – management and employment* (0222-42588)
Cardiff Business School

September 16
The Industrial Society: Harmonisation – A one-day seminar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300)
3 Carlton House Terrace, London SW1

September 16
Hawksmere: Insurance aspects of property investment and development (01-824 8257)
London Press Centre

September 19,20,21
The FT City seminar (01-925 2323)
Plaisterers Hall, London EC2

September 20
CBI Conferences: Your annual report (01-379 7400)
Centre Point, London

September 21-22
International Chamber of Commerce: Investing for growth - opportunities in worldwide deregulation trends (Paris (1) 45.62.34.56)
Istanbul

September 22-23
The Institute of Chartered Accountants: The 1988 Industrial Tax Conference (0908 668833)
Holiday Inn, Leicester

September 22-23
Acquisitions Monthly in conjunction with Business Research International: How to buy and sell companies (01-637 4383)
London Marriott Hotel, W1

September 22
The Institute of Directors: Coping with growth - directing the expansion of business (01-839 1233)
Holiday Inn, Manchester

September 26
Public Issue Conferences: The industrial gas market in Britain and Europe (01-283 7962)
London Press Centre,EC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

COMPANY NOTICES

Lafarge Coppée

US$ 40,000,000 15 1/2% Bonds 1981-1989

On August 29, 1988, Bonds for the amount of US$ 5,000,000 have been *drawn in the presence of a Notary Public for redemption on October 15,* 1988.

The following Bonds will be redeemable coupon due April 15, 1989 attached:

33685 to 38684 incl.

Amount outstanding: US$ 3,000,000

Bonds previously drawn and not yet presented for redemption:

1474 and 1475	2922 and 2923	4317 to 4319 incl.
1516	2928 to 2930 incl.	4331
1661 to 1665 incl.	2987 to 2989 incl.	4337
1687 to 1691 incl.	3002 to 3008 incl.	5302 to 5306 incl.
1693	3018 to 3020 incl.	5412 and 5413
1695 to 1698 incl.	3209 to 3218 incl.	6587 to 6590 incl.
1820	3391 to 3393 incl.	6594 to 6596 incl.
1823 to 1838 incl.	3517 to 3531 incl.	6598 to 6614 incl.
1846	3593 to 3598 incl.	6619
2019	4006 to 4014 incl.	7444 to 7449 incl.
2038 to 2045 incl.	4043 to 4047 incl.	26039 to 26041 incl.
2047 to 2054 incl.	4247 to 4249 incl.	26365 to 26367 incl.
2074 to 2084 incl.	4254 to 4260 incl.	

Luxembourg, September 12, 1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

MIDSUMMER LEISURE PLC

A notice appeared in the 8th September 1988 edition of the Financial Times. Part I of the Special Resolution was incorrectly printed. The Notice below is the corrected version.

MIDSUMMER LEISURE PLC
NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN (pursuant to Article 132 of the Articles of Association of Midsummer Leisure PLC) that an *EXTRAORDINARY GENERAL MEETING* of the Company will be held at Swithland Hall, Swithland, Leicester LE12 8TD on 30th September 1988 at 10.15 a.m. for the purpose of considering and if thought fit, passing the following resolution which will be proposed as a Special Resolution.

SPECIAL RESOLUTION

THAT:-

1. each of the 25,000,000 ordinary Shares of 25p each in the capital of the Company (whether issued or unissued) be sub-dividend into 5 Ordinary Shares of 5p each with effect from the close of business on 30th September 1988 and immediately thereafter all of the Ordinary Shares of 5p each in the capital of the Company be consolidated into Ordinary Shares of 10p each; and
2. the Directors be empowered to deal with the Ordinary Shares representing fractions arising from the consolidation and sub-division referred to above in the manner described in Article 44 of the Articles of Association of the Company but so that instead of such aggregated fractional entitlements being sold for the benefit of the shareholders they shall be sold for the benefit of the *Company and this resolution shall take* effect as an ad hoc alteration of Article 44 accordingly.

By Order of the Board

7th September 1988

J.T. Casey
Secretary

Registered Office
Swithland Hall,
Swithland,
Leicester LE12 8TD.
Registered in England No. 1187669

NOTE: Any holder of Ordinary Shares entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy or proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company. The appropriate completed form of proxy must be lodged at the address shown on the form so a to arrive not later than 10.15 a.m. on *Wednesday 28th September 1988.* Completion of the appropriate form of proxy does not prevent a shareholder from attending and voting in person if he wishes to do so.

Copies of the Circular sent to the shareholders of the Company concerning the above resolution and forms of proxy are available upon written application to J.T. Casey, Secretary, Midsummer Leisure PLC., Swithland Hall, Swithland, Leicester LE12 8TD.

Participants in the Riley Leisure PLC Share Participation Scheme may obtain a form of Notice of Direction in respect of the voting rights attaching to their shares by written application to J.T. Casey at Midsummer Leisure PLC, Swithland Hall, as above.

S.F.E. INTERNATIONAL N.V.
Company with capital of 60.000 USD
Head office : 15 Pietermaai, CURACAO, NETHERLANDS ANTILLES
- USD 5.000 FLUCTUATING RATE 1981-1988 BONDS

GENERAL REDEMPTION

The holders of USD 5.000 fluctuating rate 1981-1988 bonds are informed that all the outstanding securities will be redeemable at *par on final maturity date November 23,* 1988, at the following banks counters :

- BANQUE NATIONALE DE PARIS - PARIS,
- BARCLAYS BANK LIMITED - LONDON,
- BANK OF AMERICA INTERNATIONAL S.A. - LUXEMBOURG
- BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A. – LUXEMBOURG
- BANQUE NATIONALE DE PARIS - (NEW YORK BRANCH), NEW-YORK

SOCIETE GENERALE
French "Société Anonyme"
Capital : French Francs 1.781.183.080
Head Office : 29, boulevard Haussmann - 75009 PARIS - FRANCE
Commercial Register : PARIS B 552 120 222

FIRST NOTICE

The holders of zero coupon notes (11987-1992) in yen issued by SOCIETE GENERALE are convened to a General Meeting to be held at 3 p.m. at 3, rue La Fayette - 75009 PARIS (France) on September 28, 1988, in order to consider the following agenda :

- Appointment of the noteholders' permanent representatives, designation of the substitute representatives ;
- Determination of the noteholders' representatives' powers and of the remuneration given to the permanent representatives ;
- Decision on the method of recording the documents of the general meeting.

To permit the noteholders to attend or to be represented at this meeting, the notes or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these notes and from whom proxies or admission cards can be requested. This meeting will be validly held if the holders of twenty five per cent of the outstanding notes entitled to vote are present in person or represented.

The Board of Directors

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)
US $ 300.000.000 FLOATING RATE NOTES DUE 2000

For the six months, September 6, 1988 to March 5, 1989, the rate of interest has been fixed at 9⅛% P.A.

The interest due on March 6, 1989 against coupon nr 8 will be $ US 458.78 and has been computed on the actual number of days elapsed (181) divided by 360.

The Principal Paying Agent,
SOCIETE GENERALE
ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

ICI Finance (Netherlands) N.V.

A copy of the 1987 Annual Accounts of the above company can be obtained from its office at:

Wilhelminakade 107
3071 TR Rotterdam
The Netherlands

CONTRACTS & TENDERS

Greater water supply project prequal of contractors

The Gambia Utilities Corporation proposes to invite tenders from local and international firms of civil engineering contractors for *the construction of 9 boreholes, 9 elevated tanks 500-1000 cu.m,* transmission pipe 38km, distribution pvc pipes 90km and a pumping station. Experiences contractors in similar works should be prequalified before 15th Sept. 88. The project is jointly funded by the A.D.B, E.I.B. and the Austrian government. Qualification *documents* including experience and past performance capabilities personnel and financial position should be sent to G.U.C. P.O. Box 609, Banjul, The Gambia.

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Businesses For Sale/Wanted	13.00	44.00
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For further details write to:

Classified Advertisement Manager
FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

MANAGEMENT

A Japanese touch on the ivories

Alice Rawsthorn explains how Yamaha's controlling interest in Kemble has boosted productivity at the British piano maker

Ever since the Edwardian era when its first pianos emerged from a small workshop in Stoke Newington in north London, Kemble & Co has been a leading light in the British piano industry.

Kemble abandoned the Stoke Newington workshop years ago. Today its pianos roll off the production lines of a purpose-built plant in Milton Keynes and the company is controlled by Yamaha, the giant Japanese corporation and the world's largest musical instruments manufacturer.

For the past two years, teams of Japanese technicians have visited Kemble to scrutinise every aspect of its production process. The Milton Keynes factory recently re-opened after being completely refitted with modern machinery and new production systems.

Kemble is by far the biggest and most successful of the small band of surviving British piano makers. It plunged into problems, together with the rest of the industry, in the slump of the late 1970s. By the mid-1980s, after stringent cost cutting, it had recovered. But the Kemble family was aware that the international piano market was becoming increasingly competitive. And, as a family firm, it lacked the capital to invest in modern machinery and to move into new areas.

"We fought hard to put the company back on its feet," says Andrew Kemble, joint managing director. "In the short term our prospects seemed reasonable. But we were doubtful about our chances in the long term."

The simplest solution for Kemble was to secure the support of a larger group. The obvious candidate was Yamaha, the giant Japanese corporation with which it had been associated as a distributor since the late 1960s.

Yamaha first emerged as a force in the international piano market in the 1960s, when the influx of inexpensive Japanese pianos dealt a devastating blow to established European manufacturers. The Japanese companies gathered momentum throughout the 1970s and 1980s. Yamaha is now the largest piano maker in the world.

Yet Yamaha had become concerned about the impact of the rising Yen and the political squabbles over Japanese trade policy on its overseas sales. In 1986 it concluded an agreement with Kemble, whereby the British company would assemble and finish its pianos for sale in Europe. Early this year, Yamaha increased its involvement by taking a controlling interest in Kemble.

Yamaha's plan was that the Milton Keynes factory — which produced 3,500 pianos in 1986 — will make 10,000 models in 1990. It was also concerned that the output from Kemble should match its own production standards in Japan.

In late 1986 it embarked on an intensive productivity programme so that the factory could treble its output, with half as many employees.

The linchpin of this programme has been the liaison between Yamaha's technicians and the Kemble workforce. Yamaha has installed two permanent managers — a joint managing director and a production specialist — at Milton Keynes. From late 1986 it has sent "hit" teams of engineers and technicians to Kemble.

Each team spends up to a month studying a particular aspect of Kemble's production process. It then discusses its observations and proposals with the Kemble workforce. Some Kemble employees have visited Japan to see the Yamaha plants.

Some of Yamaha's changes have already taken effect. One area of improvement has been in raising the standard of bought-in components. In the past the arrival of faulty components had disrupted the production process; skilled workers had been forced to waste time sorting out the resultant problems. Yamaha was able to suggest ways of obviating these problems by improving the standard of service from Kemble's suppliers.

Glyn Genin

Andrew Kemble: calling on Yamaha's experience and expertise

Similarly Kemble has benefited from applying systems developed in Japan. Kemble had already begun to introduce more flexible working patterns, but Yamaha reinforced this by breaking down tasks into smaller units. An employee who would once have devoted 45 minutes to a particular task, may now spend as little as 10 minutes on it.

Such initiatives enabled Kemble to boost productivity by 70 per cent last year alone. Once the refitting programme is completed, and the new machinery comes on stream, the improvement will be more dramatic.

The £1m refitting programme has been accomplished in two stages. The factory closed for two weeks in June and for three weeks this month.

The biggest area of investment has been the installation of polyester finishing equipment. In recent years polyester pianos, that is pianos made from wood with a shiny polyester veneer, have become increasingly popular in Europe. But the necessary equipment is so expensive that, until now, Kemble had been able to make no more than "a handful" of polyester pianos a week.

Yamaha has provided the necessary capital and the forward orders needed to justify the investment. By this time next year, polyester pianos should provide a third of Kemble's output.

Some of the new equipment, like the sanding and buffing machinery in the polishing section and the conveyor lines that move the pianos around the plant, was originally developed by Yamaha in Japan. Other equipment comes from different sources, like the new computer-controlled cutting system which was made in Britain.

"The changes are not intended to turn the Milton Keynes factory into a replica of a Yamaha plant in Japan," says Andrew Kemble. "What we have tried to do is to call upon Yamaha's experience and expertise to help us to improve the efficiency of the factory."

So far the expansion programme has proceeded according to plan. Kemble says that the initial misgivings among the Kemble employees evaporated when it became clear that Yamaha intended to initiate change through discussion, not by dictate.

As for Yamaha, it is now embarking on the same process at Premier, the last surviving member of the British percussion industry, which it acquired last summer.

Business courses

Doing business with Iran, Birmingham. November 30. Fee: £200 plus VAT. Details from Tradelink Advisory Services, 63 Jeddo Road, London W12 9EE. Tel: 01-749 1475/5 Telex: 922236 COMENT G.

London executive programme, October 2 - December 9. Fee £10,800. Details from Geraldine Jackson, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050 ext 381 Telex: 27461 LBSKOX G Fax: 01 724 7875.

Developing, implementing and auditing quality systems, Manchester, November 22-25. Fee £400 plus VAT. Details from Pat Davies, McCrae Consultants, Gerrard Place, Skelmersdale, Lancashire WN8 9SU. Tel: 0695 21447 Telex: 628761 BULTEL G Fax: 0695 25667.

Industrial relations in Europe, Brussels, November 23-24. Fee non-members BFr 75,000; members (AMA/I) BFr 67,500. Details from the Registrar, Management Centre Europe, Postbus 95, NL-3417 ZH Montfoort, The Netherlands. Tel: 32/ 3/516.19.11 Telex: 21.917,61.748. Fax: 32/2/513.71.08

UK copyright law and practice relating to publishing and entertainment, London, November 2, 9, 16, 23. Fee £210. Details from Course Organiser (P10), Management Development Centre, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB. Tel: 01-920 0111 ext 2275.

Reinsurance accounting workshop, London, November 21-22. Fee £380 plus VAT. Details from Joy Bambrough, Insurance & Reinsurance Group, Bridge House, 181 Queen Victoria Street, London EC4V 4DD. Tel: 01-236 2175 Fax: 01 489 1487 Telex: 8811636.

International marketing research, nr Windsor, November 16-18. Fee: ESOMAR members SFrs 1010; non-members SFrs 1200. Details from ESOMAR Central Secretariat, J.J. Viottastraat 29, 1071 JP Amsterdam, The Netherlands. Tel: 31/20/64.21.41 Telex: 18535 esmar nl Fax 31/20/64.29.22.

The general management development programme, London, November 19 - December 8. Fee: £3,300 plus VAT. Details from Sundridge Park Management Centre, Plaistow Lane, Bromley, Kent BR1 3TP. Tel: 01-460 8585 Telex: 264626 Fax: 01-466 1578.

Information technology

The managers operating behind a 'culture of bluff'

Michael Skapinker reports on reasons for computer illiteracy

Many managers have a guilty secret which they go to great lengths to hide from their subordinates. They do not really understand how their company's computer system works.

A survey published today by the British Institute of Management and the management consultants Coopers and Lybrand says that several respondents referred to a "culture of bluff" among executives who attempt to hide their computer illiteracy.

The problem, according to the survey, lies in the training and education that accompanies the installation and upgrading of information technology systems. Those who do the training often know little about the business. And those who know about the business often get little help in understanding how to get the most out of the systems.

The survey was based on questionnaires completed by 750 BIM members, as well as in-depth interviews with 30 public and private sector organisations.

The questionnaire, which was aimed at general managers rather than IT specialists, showed that 93 per cent had some sort of direct involvement with information technology.

More than half the respondents used a computer at least once a week. More than two-fifths said they used a computer every day. Yet over half the respondents said they had an inadequate knowledge of how to use the systems available to them.

As many as 68 per cent of respondents said that they did not know how much their company spent on IT training. Fifteen per cent said that no money was spent on training.

Many said, too, that training had been haphazard, particularly for managers. "Some managers discovered the capabilities of their system by trial and error," the report says.

Many felt that the training that was on offer to companies was unsuitable. Trainers used too much jargon. They also concentrated excessively on how to operate equipment and did not spend enough time talking about how the system could be used to benefit the department or the organisation.

Training offered by outside organisations came in for particular criticism. Some "information systems managers believe that they are being bombarded by sales literature about training.

They appear to have difficulty separating out management-oriented training (if there is any) from that aimed at IT specialists," the report says. "As a consequence, most individual managers have a limited view of the total spectrum of training available from external sources and few means of expanding this view."

In many organisations, the report said, there was a feeling that senior management was not sufficiently committed to IT education. "It was widely believed that a senior management 'champion' of IT was required in order to hold genuine responsibility for, and commitment to, IT development.

Those who do the training often know little about the business. And those who know about the business get little help in getting the most out of the systems

"In some cases it was suspected that IT had been acquired as a 'good thing', but there had been no active support from senior management for the consolidation of IT following its introduction.

"The equipment was often installed without prior consultation or training and in several instances there had been nobody with sufficient IT experience or knowledge to manage the system."

It adds that "the unpalatable truth is that few organisations plan or rigorously manage their IT training and educational activities. As a result, these activities are characterised by failure to set goals and monitor results, little concept of value for money, focus on immediate operational needs, and the dominance of the IT department as IT educators."

The report does, however, turn up some encouraging practices among the companies it surveyed. For example, in one company the systems staff and the personnel and training department worked together in assessing managers' needs and in developing course material.

The report makes several recommendations which it says could help improve the quality of IT education and ensure that computer systems are more effectively used.

One of its recommendations is that companies make IT training and education a responsibility of the board. The report found that the board was responsible for IT training in only 15 per cent of the organisations surveyed. "IT education and training simply hasn't got any clout at board level — no one is fighting for it," one respondent said.

The report says that the board should help to establish an organisation-wide approach to IT training and attempt to ensure that the skills acquired could be used to achieve organisational goals.

Those responsible should help to identify the outside trainers who seem most able to adapt their programmes to fit the organisation's requirements.

"Be more demanding of training suppliers," the report says. "Don't settle for standard courses if they don't meet your needs."

To foster collaboration between the personnel and IT departments, the report recommends that people should be transferred from one to the other at different stages in their careers.

Organisations should also establish a library of what training and education is available and attempt to keep line managers informed. "It is clear that many line managers are not aware of who is responsible in their organisation for IT training and education," the report said.

Managers and IT Competence, from BIM, Cottingham Road, Corby, Northants NN17 1TT. £20 BIM members. £40

Here is a knight to remember

Andrew Clements finds that Peter Stein has brought a joyous Falstaff to the WNO

The consummate *Otello* that Peter Stein staged for Welsh National Opera is unlikely to be forgotten by anyone privileged enough to experience it. The company has now repeated its coup, tempting Stein back to Cardiff with his design team of Lucio Santi and Moidele Bickel, again with the splendid conducting of Richard Armstrong, for a *Falstaff* that may not be as uncompromisingly definitive as their earlier collaboration - the opera itself defies that in any case - but nevertheless represents an extraordinary fusion of stagecraft and musical perception.

This, one has to remind oneself, is only the third opera Stein has ever produced, yet it moves with a clarity and theatrical certainty which one rarely sees approached by anyone else in the opera house.

In an interview published before the first night Stein revealed that his approach to *Falstaff* had been essentially a conservative one, regarding it as a sequence of clockwork mechanisms that had to be set in motion as efficiently as possible, and absolute fidelity to Verdi's intentions is at the heart of this production. The staging is thoroughly naturalistic — a lean-to Garter Inn, tightly confined, a galleried courtyard for Ford's house, unmistakeably Tudor, and an austere interior, breathtakingly spacious and magically lit, within which the characters move with the poetic geometry of a Vermeer painting. There is a full-blown oak for the final scene, and otherwise a minimum of props — no glosses to distract from the business of the opera.

That business is entirely defined from the music. Everything that Verdi pours into his score, its laughter, its amazement, is realised visually without any coarse-grained knockabout or contrivance. Stein has listened in minute detail, and fed his imagination accordingly. The cross-cutting of the men and women in the *second scene is ordered with* gem-like precision, the furious hunt for Falstaff, complete with a linen basket that is just too small, fills the stage space with a welter of activity. Nothing is careless, nothing left to chance. The mechanisms are wound with maximum virtuosity for the final fugue - the oak disappears, the stage is left bare, and the entire company is compressed into its centre to jostle for position, as the protagonists weave in and out to deliver their lines, until Falstaff is borne aloft as the curtain falls. As a theatrical analogue to the most intricate of musical designs it is an extraordinary invention, and makes an unrepeatable apotheosis.

This is by no means a self-consciously funny *Falstaff*, but at once a joyous and profound one. No ribs are tickled or thighs slapped and humour is drawn from the characters themselves, from the puncturing of their pretensions, and the exploitation of the gaps between their self-images and reality. Falstaff genuinely wants to believe in his undimmed potency (his wooing of Alice quickly becomes much more than *bottom-pinching* harassment and ends in near rape). His humiliation in the final scene therefore is the more savage and the *self-realisation which follows* the more moving. Similarly Ford's fury in the second act is repulsively exact, yet still hilarious in its excess, and the laughter it evokes double-edged.

The generation gap between Falstaff and the household he plagues is wide — Ford is an ambitious man of property, and his wife and daughter, one fears, mere adjuncts to his property, and Mistress Quickly a good 20 years younger than usual. Taking a cue perhaps from *Henry IV* where she is described as a retired bawd who procured women for Falstaff, Stein gives her a blowsy attraction, so that her visit to him in the second act carries a distinct sexual charge.

At the centre of this web of sharply differentiated relationships is Donald Maxwell's fat knight - truly *obese*, with a convincing paunch amply displayed at one point - sung with great distinction, though some tonal leanness. Perhaps because of the lack of slapstick, the melancholy is always near the surface, and even the moments of reminiscence are closer to nostalgia than braggadoccio. There is a thoroughly reptilian Ford from the American David Malis, and deftly managed Bardolfo and Pistola from John Harris and Geoffrey Moses, *though the vividness of their* contributions, like that of Peter Bronder's Caius, is necessarily less obvious in this production.

Laurence Dale's Fenton, *full* voiced, irrepressibly impulsive, is a constant delight, and so is Nuccia Focile's Nannetta, vocally sometimes frail, but captivating and constantly alive. The trio of ladies is led by Suzanne Murphy's Alice, at her best when evading Falstaff's advances and well supported by Wendy Verco's Meg. Cynthia Buchan is the unconventional Quickly, a busy entrepreneuse and probably a thoroughly bad influence on Nannetta. As a unit the cast works with immaculate efficiency, shaping each paragraph with as much dramatic intensity as each act.

Those shapes are instantly registered, and underlined by the surity of Armstrong's conducting, which was inclined to severity in the early scenes, despite the vividness of the orchestral playing, but acquired more detail and plasticity as it went on, without ever losing its cutting edge. Each element of the production fits exactly into place, and the total effect is magnificent.

Our Country's Good

ROYAL COURT

Timberlake Wertenbaker's delightful new play recounts the first theatrical adventure in Australia; the 1789 performance in Sydney Cove by English criminals of George Farquhar's *The Recruiting Officer*.

The text has been imaginatively based on Thomas Keneally's novel *The Playmaker*, published last year within a few months of Robert Hughes's magnificent history of the convict colony in New South Wales, *The Fatal Shore*. Wertenbaker and the Court pay full tribute to both books. But the theatrical dimension is their own, and the piece now plays in repertory (until October 8) with the unadulterated production of Farquhar's play that opened here in late July.

Keneally's title refers to the marine lieutenant, Ralph Clark, who proposes the performance in honour of the King's birthday. The convicts, saved from English gallows and gaols in order to populate a distant prison camp, are recruited for the play by Clark who acts on the authority of the first Governor General, Captain Arthur Philip.

The play's title dislodges a phrase from a prologue here credited to the Jewish thief Wisehammer, whom Ron Cook doubles with Captain Philip. Wisehammer is in love with Mary Brenham, the teenage convict cast as Silvia. But Wisehammer is assigned the roles of Captain Brazen and Bullock (roles Mr Cook plays in the Farquhar) while Clark (David Haig) steals Silvia (*Lesley Sharp*) by asserting his director's privileges and occupying the role of Captain Plume.

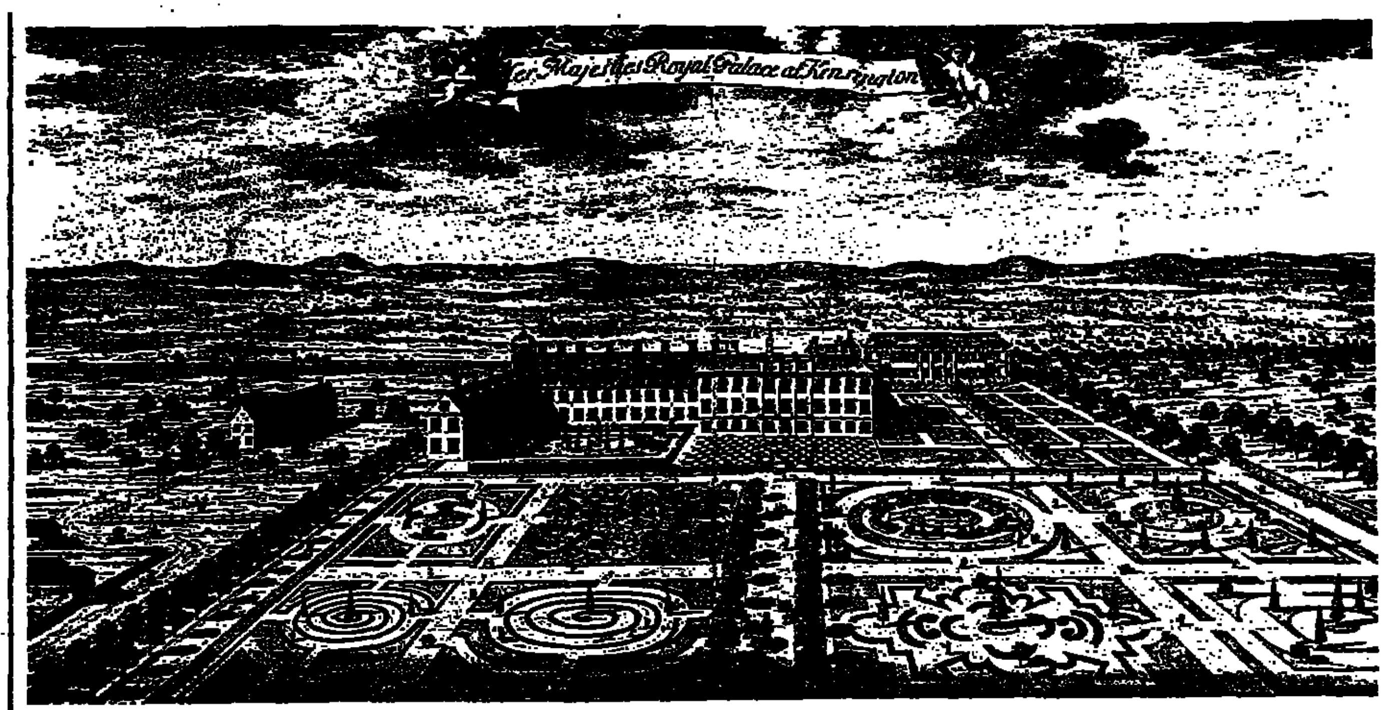
Ralph Clark kept a diary of devotion to his distant wife, but is not known to have produced the play. Mary Brenham bore a child named after that wife, and Keneally ingeniously invented the theatrical link in his novel. Miss Wertenbaker's further treatment crushes the Sydney Cove Plume and reinvents Farquhar's central duet in the vital comedy of Ralph and Mary. The former has his marital loyalties eclipsed in the emergent radiance of Mary's theatrical talent.

Max Stafford-Clark's briskly sensuous production is in stark contrast to his lusty handling of Farquhar. Like the play itself, it remains healthily under-awed by history and a plethora of material, omitting lurid encounters with the natives and concentrating on the idea of an embryonic community transformed by the power of theatre.

Mary Brenham finds a new role in life ("I love this," *exclaims Miss Sharp*, ecstatically, before plunging on as Silvia). The Garrick enthusiast Robert Sideway, sketched out with voracious earnestness by Nick Dunning as the first antipodean Nick Bottom, in actual fact opened his own playhouse in 1796.

Thus transportation leads to transformation. But not in the case of Harry Brewer, the drunk Provost Marshal haunted by the ghost of a hanged rival in love. With Harry, and the tortured resentments of Liz Morden (Linda Bassett), the dark consequences of this grim experiment take hold. Jim Broadbent doubles Harry with the burglar Arscott cast as Kite, and each manifestation provides a jaunty, sordid underpinning to his brilliant performance proper in the Farquhar.

Michael Coveney



Sir Christopher Wren created Kensington Palace for William and Mary, who arrived at Christmas 1689

An extremely minor exhibition

Colin Amery deplores the niggardly approach of the organisers in England of this year's celebrations of the Glorious Revolution

The offer of the British crown to William and Mary in 1688 as joint monarchs in place of James II brought political stability to the country, and with it a rare flowering of the domestic and decorative arts. William, Prince of Orange, was not merely a fighting man: when he was not following the chase he had a great interest in gardening and building, which he indulged both in the Netherlands and England.

The Tercentenary of the Glorious Revolution this year provided a wonderful opportunity to mark the birth and spread of the international Baroque style. How sad, therefore, that our premier museum of the decorative arts, the V&A, was so unenthusiastic about a great exhibition: plans for *The Orange and the Rose* to be held in London and at the Rijksmuseum in Amsterdam foundered under the weight of too many committees of grandees.

The dull historical show at the Banqueting House in London's Whitehall scarcely touches on the cultural *significance* of the joint reign. Ironically, the major commemoration of the arts of the reign will be exhibitions in New York (at the Cooper Hewitt Museum from mid-November) and in Pittsburg.

There is a modest attempt at *a commemorative show in London* until the end of October. *Fantastic Fancies — Decorative Arts from the reign of William III and Mary II* is appropriately on display at Kensington Palace. Mr Nigel Arch, the Palace curator, must have longed for support to put on an exhibition to do justice to the major contribution the artists and craftsmen of William and Mary's court made to Anglo-Dutch taste. Instead, he has had to put as good a gloss as possible on an exhibition that is, in architectural and art historical terms, extremely minor.

There are just 63 items on show: paintings, furniture, and ornamental things, many of them lent from the Royal Collection. Luckily the exhibition is seen as part of the tour of the Palace's state appartments, so that it is just possible to get an inkling of the artistic achievements of the reign.

Kensington Palace was created by Christopher Wren for the King and Queen, who moved in at Christmas 1689. But it is not Wren or Grinling Gibbons who should interest us here, but Daniel Marot. He was the most important artist to come to England with William. A Huguenot refugee from Paris, he brought with him the style of that city in 1680, but went on to adapt and refine this until he came to be recognised as a designer of international stature.

It is difficult at Kensington Palace to imagine how the rooms designed for William and Mary actually looked. But there is no shortage of historical material and it is time that the royal palaces of Kensington and Hampton Court were the subject of much more research and expenditure. For the average visitor it is almost impossible to understand or visualise the former splendour of these places.

The Department of the Environment could learn a lot from the National Trust, and from abroad. The expenditure at Versailles has been vast, and all the way through the restoration has been supported by research and documentary evidence. It is puzzling that such a gap has grown up between the scholars and those who actually run our major national historical monuments.

★

A mass of fascinating research appears in the recent book *The Gardens of William and Mary* by David Jacques and Arend Jan van der Host (Christopher Helm, £15.95.) Published to mark the Tercentenary and *with contributions from many* experts, it is both worthwhile and important. The influence of the King is not to be underestimated: Daniel Defoe commends him for reviving the love of gardening and for encouraging others to: "follow with such a gust that the alteration *is indeed wonderful* throughout the kingdom." The great joy of the book is the intricacy of the design as seen *in contemporary engravings;* historic gardens are of much more than academic interest and this fine presentation of evidence should inspire serious restoration, or even recreation, of major gardens.

Because the development of the English landscape has *inclined to follow nature* rather than geometry since the reign of William and Mary, it is hard to imagine the complexity and detail of 17th-century gardening. Take Hampton Court, for example, where the possibilities for restoration are enormous. The recent replanting of the lime semicircle in the fountain garden is a token start. In our Royal Parks the standard of planting and the state of historical knowledge is poor. With an aesthetically conscious Prince now resident at Kensington perhaps there is a chance of some work that will elevate the palace and the garden above its present disappointing appearance.

For Kensington and Hampton Court the evidence in this new book should be used as a manual for their renewal and restoration. The Tercentenary's lasting contribution should be a raising of standards for the upkeep, display and restoration of William and Mary's two palaces and their gardens.

Hallé Orchestra

ALBERT HALL

With the Hallé Orchestra on its current form under Stanislaw Skrowaczewski and a solid Bruckner symphony on the programme, Friday's Prom hardly needed the extra fillip of a soloist. The American baritone James Morris was none the less very welcome; though he is a much sought-after Wagnerian abroad, the imminent new *Rheingold* at Covent Garden will mark his operatic début in Britain.

(I heard him as the Count in a Salzburg *Figaro*: notably intelligent, *but Mozart is not* his natural territory.) Here, as a foretaste, he delivered Wotan's Farewell from *Die Walküre* with smooth power, sterling projection and rich, mahogany tone. I hope the Royal Opera has him securely booked for the rest of the *Ring*.

Skrowaczewski gave him a careful, serviceable accompaniment, not more — probably the rehearsal-time had been awarded to Bruckner's 'Romantic' Symphony. The concert had begun with a poised, shapely account of Schumann's 'Manfred' Overture, a late work that always seems a little tamer than Schumann must have intended.

With the Bruckner Fourth the Hallé team came splendidly into its own. It did not suffer by comparison with the recent New York Philharmonic performance under Zubin Mehta, though Mehta's fluid treatment traded effectively upon the richer New York sound. Skrowaczewski's reading was more sternly proportioned and paced (not *actually slower*), as one could have expected, and it gripped the Prom audience throughout. The rapt silence surely made itself felt even on Radio 3.

The conductor opted for the second of Bruckner's three versions of the symphony, and made a persuasive case for it. As usual his controlled dynamics were exemplary — something that can be achieved only when the players listen to each other as keenly as the Hallé ones do. The brass choir carried full, judicious weight; the strings, *beautifully balanced, sustained* their timbre all through the long pianissimo passages that Skrowaczewski cultivates so lovingly.

He indented Bruckner's stately paragraphs with faultless tact, never allowing the forward movement to *falter*. Afterward, *one* remembered not passing moments of glory, but the noble profile of the whole work.

David Murray

London Sinfonietta

ALBERT HALL

Jazz-influenced Stravinsky and Weill's *Seven Deadly Sins* were contrasted in Thursday's Albert Hall Prom, which the *London Sinfonietta* gave *under* the ever more impressive and versatile Lothar Zagrosek. The *Ebony Concerto* was the most substantial of the Stravinsky items, and between the combination of Zagrosek's lucid direction and Michael Collins's coolly accurate solo clarinet *playing the work emerged as* much less a rare example of Stravinsky letting his hair down than one of the most austere examples of his late neo-classical style, full of gleaming, smooth surfaces and anaesthetised *emotion*. Much farther from jazz in fact than *Ragtime* of almost 30 years earlier, and much less unbuttoned than the *Circus Polka*, which the Sinfonietta players dispatched with *almost* indecent and raucous relish.

The first half of the concert could well have been entitled "How to have fun with 20th-century music," for the non-Stravinsky items were hardly serious. Zimmermann's *Musique pour les soupers du Roi Ubu* wears less well than many of his other mixtures of quotations and allusions, though at least in this case the absurdist plot of the "imaginary ballet" is well matched to the music.

I confess to a sneaking admiration for the final movement in which Berlioz's March to the Scaffold collides with the Ride of Valkyries, but the rest is thin. So too is Don Banks's *Meeting Place*, for chamber ensemble, jazz group and synthesiser, an early Sinfonietta commission. It attempts to prove that the oil and water of jazz and "straight" music can be made to mix, but the most successful passages are those in which the jazz group is given its head unbridled, or the few quiet solo reflections for other instruments.

Zagrosek and his orchestra handled both Zimmermann and Banks with great spirit, and finally moved on to one of the Sinfonietta's long standing specialities. Anna on this occasion in *The Seven Deadly Sins* was Maria Ewing, the Family the regulars from the London Sinfonietta Voices. It was not a staged performance in any official sense, but Miss Ewing's turns of head, hitchings of dress and swirls of a wrap, did more than any amount of realistic decor would have done. Her voice winds around Weill's soprano lines with sensuous intent, her disingenuousness is *perfectly judged, and darkens* when required the tone darkens most memorably. On stage, carefully produced, it would be a most remarkable performance.

Andrew Clements

ARTS GUIDE

Sept 9-15

MUSIC

London

Wigmore Hall. Haydn Festival. *Andras Schiff* (piano), Yuko Shiokawa (violin), Steven Isserlis (cello), Takacs Quartet (Fri, Sat) (935 2141).

Hallé Orchestra conducted by Stanislaw Skrowaczewski, with James Morris (baritone). Schumann, Wagner, Bruckner. Royal Albert Hall (Fri) (589 8212).

BBC Symphony Orchestra conducted by Gunter Wand. Mozart, Tchaikovsky. Royal Albert Hall (Sat) (589 8212).

London Symphony Orchestra conducted by Michael Tilson Thomas, with Jorge Bolet (piano), Margaret Price (soprano), Jard Van Nes (mezzo-soprano), Siegfried Jerusalem (tenor). Beethoven, Weber, Mahler. Royal Albert Hall (Sun) (589 8212).

Scottish National Orchestra conducted by Bryden Thomson, with Christian Blackshaw (piano). Tchaikovsky, Liszt, Prokofiev. Royal Albert Hall (Mon) (589 8212).

Scottish Chamber Orchestra conducted by Sir Peter Maxwell Davies, with Robin Miller (oboe). Haydn, Maxwell Davies, Beethoven. Royal Albert Hall (Tues) (589 8212).

BBC Symphony Orchestra conducted by Pierre Boulez, with Jessye Norman (soprano). Mahler, Berg, Webern, Bartok. Royal Albert Hall (Wed) (589 8212).

Royal Philharmonic Orchestra conducted by Yondani Butt, with Kathryn Stott (piano). Barbican Hall (Wed) (638 8891).

London Symphony Orchestra conducted by Michael Tilson Thomas, with Anna Steiger (soprano). Oliver Knussen, Robin Holloway, Mahler Barbican Hall (Thurs) (638 8891).

Pompeii

Teatro Grande (Panzanese Pompeiana). The [illegible] conducted by Wolfgang Sawallisch playing Richard Strauss (Fri). Box office Roma 856.41.36.

Todi Festival (Sala del Chiostro). A look at 20th century music: Benjamin Britten's Simple Symphony, and works by Barber, Dvorak, Rodrigo and Srebotnjak played by the Nuovo Camera Strumentale (Sun) (88.35.11).

Stresa

Settimane Musicali (Lake Maggiore). Palazzo Borromeo (Isola Bella): Guitar recital by Alirio Diaz. Scarlatti, Bach, Ponce, Torroba (Fri) (31 095).

Teatro del Palazzo dei Congressi, Uto Ughi (violin) and Martha Argerich (piano). Schumann, Beethoven and Prokofiev (Sun). Quartetto Fidelio. Fauré, Richard Strauss (Mon). (31.095).

Vienna

ORF (Austrian Radio and Television Orchestra), conducted by Ulf Schirmer with Lajos Lencses (oboe). Zimmermann, Stravinsky. ORF (Fri) (9201, ext 881).

Royal Philharmonic Orchestra conducted by Erich Leinsdorf. Brahms, Johann Strauss, Dvorak. Konzerthaus (Sat) (721211).

Haydn Sinfonietta, conducted by Manfred Huss and Kodaly Choir from Debrecen, Hungary, conductor Kalman Strausz; with Gertraud Schmid (soprano), Hanna Fahlbusch-Wald (mezzosoprano), Andras Molnar (tenor), Peter Koeves (bass). Beethoven (Missa Solemnis). Votivkirche (Mon, Thurs)

Haydn Sinfonietta, conducted by Manfred Huss. Beethoven. Hofburg (Tues, Thurs)

Berlin

Berlin Philharmonic Orchestra (Philharmonie). Conducted by Carlo Maria Giulini, with Barbara Bonney (soprano), Andreas Schmidt (baritone) and the Ernst-Senff Chor. Brahms's German Requiem (Sat, Sun). Conducted by Sir Georg Solti, Bartok and Beethoven (Wed, Thur).

Alfred Brendel (Philharmonie). Piano recital: Mozart, Brahms, Beethoven and Liszt (Tues).

Amsterdam

Concertgebouw. Riccardo Chailly conducting the Concertgebouw Orchestra, with Rafael Oleg, violin: Wagner, Saint-Saens, Tchaikovsky (Thur) (718 345).

Rotterdam

Doelen. James Conlon conducting the Rotterdam Philharmonic, with Nobuko Imai, viola. Bartok (Thur) (413 2490).

Paris

Soloists of Orchestre National de France play Hindemith, Dallapiccola, Ohana, Messiaen. Radio France, Studio 106 (Mon)(42301516).

Soloists of Ensemble Intercontemporian, with Pierre-Laurent Aimard, piano: Dutilleux, Boulez. Centre Georges Pompidou (Thurs) (427 71233, ext. 4810).

Orchestre National de France conducted by Dennis Russel-Davies, Jean-Claude Pennetier, piano: Strauss, Stravinsky, Xenakis, Ligeti, Messiaen. Théâtre des Champs Elysées (Thur) (42301516).

Prestige de la Trompette with Maurice Andre, his friends and Ensemble Orchestral de Paris conducted by Philippe Bender: Torelli, Bartok, Telemann, Bach, Stoelzel. Salle Pleyel (Thur) (45 38873).

Washington

National Symphony (Kennedy Center Concert Hall): Mstislav Rostropovich conducting. Bernstein, Haydn, Brahms (Thur). (254 3776).

Tokyo

Paul Crossley (piano). Debussy, etc. Showa Women's University Green Hall, near Sangenjaya (Mon) (795 4488)

Traditional Japanese Music. Kameyama Kono (koto). ABC Hall (Wed) (400 2806)

Traditional Japanese Music. Drums from Hokkaido and Toyama. National Theatre (Wed, Thurs) (265 7411)

NHK Symphony Orchestra conducted by Esa-Pekka Salonen. Stravinsky. NHK Hall, Shibuya (Wed, Thurs) (465 1781)

Yomiuri Symphony Orchestra conducted by Gennady Rozhdestvensky. Tchaikovsky. Suntory Hall (Wed) (270 6191)

The Tell Tale Heart

PURCELL ROOM

Lock up your critical faculties — performance art is making a comeback. A wayward child of the 60s, when anything went in artistic as well as personal matters, it has bided its time, dreaming up even more fiendishly banal happenings for a politely bemused public. Much of the recent biding has been at the Zap Club in Brighton which this week is presenting its latest concept on London's South Bank.

Devisers and directors Ian Smith and Neil Butler have turned for inspiration to Edgar Allan Poe's short shocker, The Tell Tale Heart, the one where the ever more resounding heart beat of the murdered old man drives the killer to confession. It is a good idea and the programme promised much.

The stage, too, looked interesting, covered with Heath Robinson contraptions that were obviously going to move and shake in mysterious ways. And, yes, there was the inevitable screen for the badly filmed, badly edited, images that are such a feature of performance art.

The equally inevitable disappointment, the gap between the ambitions of the performers and the creative results, happened at once. To set the scene Captain Sensible was to read the story. It can never have been more boringly, more unimaginatively, more uncreepily, told.

Then came dancer-choreographer Liz Aggiss and composer Peter Sinclair to give their interpretation. This was performance art as we know and dread it: imprecise sounds drifting from instruments scattered around the stage, their emission controlled by Sinclair from a console, while Aggiss, looking like a giant screw, with black breeze blocks attached to feet and arms, struggled to rise from the floor. And, yes, the contraptions heaved fitfully.

Then an imaginative interval before writer Kathy Acker read some letters from Rambo (perhaps I mean Rimbaud) to his true love Verlaine. This was good Radio 3 stuff but Acker had obviously popped into the wrong show (actually that is impossible in performance art). Finally the Grand Theatre of Lemmings wrapped it up with a Grand Guignol version of the tale, which had highlights if you like Paul Daniels: noses were impaled on nails and heads were sawn off.

When I wasn't feeling bored and insulted I did feel spasmodically intrigued and slightly discomforted. Perhaps we need performance art as an antidote to glossy professionalism.

Antony Thorncroft

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Reforming the PLO

WHEN Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, meets socialist members of the European Parliament in Strasbourg tomorrow, the world outside will be waiting with more than routine interest to hear what he has to say. The PLO is currently immersed in a fundamental review of its role and aims in the run-up to a crucial meeting sometime later this year of the Palestine National Council, which Palestinians regard as their "parliament-in-exile." But nobody is at all sure where the process will lead, or precisely what the ever-elusive Mr Arafat is aiming at.

What is clear is that the events of the last few months have simultaneously confronted the PLO leader with the biggest challenge and the greatest opportunity of his long career.

In some ways the nine-month Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip has transformed the political contours of the Arab-Israel conflict. But it has clearly not brought the PLO any closer to its goal of a Palestinian homeland. In view of King Hussein of Jordan's recent move to distance himself from the West Bank, the organisation faces a daunting credibility test: it has to show that it can do something positive for its people under occupation and evolve a strategy to turn the international sympathy generated by the uprising into concrete political gains.

Transfer of funds

Given tightening Israeli restrictions on the transfer of funds into the territories, the provision of practical assistance is likely to prove extremely difficult. Harder still, in view of the PLO's diffuse structure and its past propensity for dreaming, is the construction of a realistic new political programme ahead of the PNC meeting.

The first plank of such a platform appears to be taking shape, and Mr Arafat is busy sounding out the international community on its likely response. As he confirmed last week, the plan is to seek international recognition for a "provisional government" in the occupied territories as the first step towards independent statehood. Such a body would base its legitimacy on Security Council resolution 181 of 1947, which called for the partition of Palestine into separate Jewish and Arab states.

Creation of a provisional government would be a step in the right direction in that it would formalise the PLO's endorsement of a two-state solution to the Palestine conflict. The problem is that a state cannot be conjured out of the air, and that diplomatic recognition is no substitute for real political clout. While numerous countries, especially in the Non-Aligned Movement, would probably recognise the new body, as they already recognise the PLO, those which really count – principally the US but also Britain and France, which as a matter of principle recognise states rather than governments – would certainly not.

Basic charter

The more important question for Mr Arafat is: what other political changes will the PLO make to accompany such a move? And in particular: is the organisation prepared to rewrite its basic charter, the Palestinian National Covenant, renouncing the aim of armed struggle for the destruction of Israel?

Mainstream PLO leaders, when asked about the covenant, tend to refer to it as a historical curiosity which no longer accurately reflects official policy. But the fact is that it has not been explicitly repealed or replaced, and thus continues to create an obstacle to American dealings with the PLO and a pretext for Israel to refuse such dealings.

By far the most effective step the organisation could take towards breaking out of its current political impotence would be to rewrite its constitution explicitly offering mutual recognition to Israel and renouncing violence.

Mr Arafat fears, probably correctly, that such a move would split the PLO in two. But Western governments and parliamentarians should tell him that continuing to fudge the basic issue in the all-consuming interests of unity will not resolve his dilemma: nor will any number of supportive noises from around the world. Such fundamental reforms can only be made by the PLO itself.

Scotland's giant quango

LIKE WALES and Northern Ireland in their particular ways, Scotland is governed from London according to conventions that are peculiarly its own. This may help to explain why the British Prime Minister, Mrs Margaret Thatcher, has given her blessing to a scheme that, at first blush, has a decidedly un-Thatcherite look about it. It involves the creation of a new agency, called Enterprise Scotland, which would incorporate the Scottish Development Agency, the Highland and Islands Development Board and also the Scottish services of the Training Commission (formerly the Manpower Services Commission). The scheme appears to enjoy the guarded support of the Scottish trade unions and the Labour Party. It has, in short, all the marks of a plan to create a large new quango of a kind that would have happily found a home in pre-Thatcher Britain.

The fact that Whitehall regards Scotland as "different" is not, however, a sufficient explanation. There is another. The share of votes won by the Conservative Party in Scotland has declined steadily since 1955. The party is insignificant in Scottish local government. There are only 10 Scottish Tory MP's at Westminster, the lowest number since 1910. The Labour Party has 50. It might be thought that in political terms Scotland is therefore a write-off for Mrs Thatcher; after all the Tories could hardly fall any further, in fact the arithmetic works the other way: the more seats they can win back from Labour, the harder it will be for the Labour Party, which faces an uphill struggle in England, to win a general election.

Changing culture

Mrs Thatcher's ambition is not, however, merely a matter of retaining political power for the Conservatives. She aims to change the entire British culture, from one that contained a heavy element of dependence upon the state to one that is more self-reliant and enterprising. What was corporatist is intended to become free-market capitalist. The Prime Minister now makes frequent visits to Scotland to preach this gospel. The Secretary of State for Scotland, Mr Malcolm Rifkind, has been unwavering in pursuing the same line, which makes the decision about Enterprise Scotland all the more curious.

Until now, the Tory share of the polls has fallen since last year's election. Meanwhile, the traditional financial support has continued to be pumped up from south of the border. For a Government that professes to be profoundly sceptical about regional economic policies, this one has done surprisingly well by Scotland. The establishment of the proposed new agency, Enterprise Scotland, would transfer the Scottish portion of the training budget from the control of Whitehall to that of the Scottish Office under Mr Rifkind. This goes some way towards explaining the enthusiasm in Edinburgh for the scheme, which has been promoted by Mr Bill Hughes, chairman of the Scottish Confederation of British Industry.

Fundamental questions

As Mr Hughes has explained it, the administration of Scottish Enterprise, particularly in its training functions, would be devolved to local agencies in which businessmen would play a large part. Much will depend on the details.

There are other, more fundamental, questions. The Scottish Development Agency has the reputation of being lean, tightly managed, and strongly entrepreneurial in spirit. It has distanced itself from the Scottish Office. The Training Commission has a quite different character – that of a group of civil servants. A merger of the two might be beneficial if the latter were to adopt the business culture of the former, but if matters evolved the other way around much damage would have been done to Scottish economic development. The devolution of training and economic development decisions to Scottish organisations may be correct, but it should not be done without proper preparation – especially by a Government that is politically all at sea in the region.

Forging a future from recovery

Nick Garnett finds that the world's steel producers are making money again after years of misery

ALL of a sudden, big steel makers *in mature industrialised* countries have discovered that the business of churning out a vital but basic commodity is not too bad an occupation after all.

After years of varying degrees of misery, watching rapacious producers in developing nations eat into their share of the steel market, most suppliers in the US, Western Europe and Japan now enjoy strong demand. With large scale cost cuts behind them, firmer prices and liberal doses of protectionism, most are making money. Some are making it hand over fist.

After racking up losses of $3.8bn in 1986-87, the five big Japanese integrated steel makers have rushed back into profit at dramatic speed. The big American steel companies, collectively known as Big Steel, have only to fire up a blast furnace these days to squirt another dollop of black ink on to the balance sheet. The US industry notched up a *collective profit of $560m* in the first three months of this year alone. USX, America's biggest steelmaker and once a typical example of the rustbelt, has just re-opened its long dormant exporting division.

The fragmented European industry is in differing states of health with some producers slipping back into the red in 1987. But demand has jumped 15 per cent this year for European steel, and most companies are now making money. British Steel, the most seriously crippled European company six years ago, will probably make £500m this year.

But one thing everyone knows in this industry is that all this cannot last. Forecasting what will happen next in steel has always been a murky business. But as a pivotal supplier to the world's construction and engineering industries, steel is a cyclical industry in which good times never roll for ever.

Roller-coaster supply and demand in steel is a manufacturer's nightmare. Crude steel production in the western world reached 520m tonnes in 1979, then plunged to 360m in 1983 before climbing back in fits and starts to about 480m this year. Every analyst's long term report on the industry is littered with suppositions, probable scenarios and wild card possibilities.

The story of steel might be its return from the grave. But something more deep rooted and fundamental than the vagaries of the market is also happening. In Europe, the US and Japan, which still account for almost half of the world's output of 730m tonnes, a series of structural realignments are underway within and between the big steel makers. This promises to change the face of the industry.

The shape of these changes is different in each of the three producing areas. But there are a number of common themes, including more alliances between producers and more diversification away from steel. One result so far is the steady decline of the large, non-diversified steel maker. A principal question for the industry is whether these changes will continue and even accelerate under the pressure of the next couple of cyclical downturns in steel demand, whenever they come.

Three issues stand out:

● What are the prospects for the wide-ranging diversification programme now under way among Japanese steel companies?

● Is the resurgence of Big Steel in the US merely temporary, destined to founder on its shocking recent record of capital investment?

● In Europe, will recent deals between steel companies in the same country and the very tentative emergence of cross-border alliances eventually lead to major cross-border acquisitions?

First, the five Japanese integrated steel makers. They have dug themselves out of the crisis they faced in 1986 with remarkable speed. Actions included plans – still only partly carried out – to cut production capacity by a fifth to 70m tonnes by 1990 and to reduce the workforce by a third to 125,000. The Japanese drive towards higher value added steel products has helped, as have firmer prices and surging domestic demand from construction and engineering.

But just as striking has been the move towards diversification. Kobe already claims that less than half of its sales are from iron and steel. Already the world's largest supplier of electrodes, it is now moving into transputers, computer graphics and laser scanners. Nippon Steel says that within six years steel will account for no more than a half of sales compared with 80 per cent now. It wants electronics, information and communication systems to make up 20 per cent of its business by 1995. It now imports silicon wafers from the US, has joint electronics ventures with Hitachi and IBM Japan and is moving into computer work stations. Nippon Kokan set up biotechnology and electronics divisions last year. By the end of the next decade Kawasaki Steel wants 40 per cent of its expected Y2 trillion sales to come from new businesses.

This is a remarkable development, but the steel companies, with the possible exception of Kobe, have yet to show they know what they are doing with this programme. Some North American producers say it could all backfire. Many Japanese steel makers are also sliding into property development, leisure and retailing. One calculation is that not even the most efficient Japanese steel plant could make the same profit return as selling for redevelopment the land on which it is built and cashing in the proceeds.

Along with this has gone a clutch of cross-border deals with the US. National Steel is a three year old joint venture between National Intergroup of the US and Nippon Kokan. Nippon Steel has a 40 per cent share of a $400m cold rolling complex being built by Inland. Nisshin, Japan's sixth largest steel maker, has just opened a joint venture coated sheet plant with Wheeling-Pittsburgh. Peter Marcus, the steel analyst at US broker PaineWebber says some of these deals have not been too successful. There is no sign yet that the Japanese wish to move further into the US.

Some steel companies are making money hand over fist

Restructuring in the US steel industry has meant savage cuts. Of the 400,000 mainstream steel jobs in 1980, only 150,000 survived. Relative wages of steelworkers have been slashed from the levels of the late 1970s, when they earned 85 per cent more than the average in US manufacturing. Partly as a result of these moves – and factors like currency – Big Steel has come back with a vengeance.

Yet despite all this, the position of Big Steel is being quietly but remorselessly eroded. The recent investment record of US steel makers has been desperately poor, even if they are showing belated signs of trying to rectify this. Capital investment in the US steel industry has actually fallen from $2bn in 1983 to $1.5bn last year. This compares with the 10 EC countries where investment rose from $2.4bn to $4.1bn in the same period, according to the International Iron and Steel Institute.

Big Steel's long term future remains in doubt

Even without this, power within the US steel industry has been shifting away from Big Steel and towards mini mills and the so-called reconstituted companies born out of bankruptcy. The share of US production held by the major mills has dropped from 73 per cent in 1979 to less than 50 per cent. Reconstituted businesses, including LTV which is still in Chapter 11 bankruptcy, now have 35 per cent of the market and rapidly expanding mini mills have doubled their share to around 20 per cent. Some of the large US steel companies like Bethlehem are still overwhelmingly in steel. Others have diversified at varying speed. At LTV, steel has dropped slowly from two thirds of sales to three fifths since 1980. At USX, which owns Marathon Oil, it has tumbled from around three quarters of sales to a third.

Everyone agrees that Big Steel could ride through the next cyclical downturn, though its overall share of the US market will fall. Its long term future, however, is the subject of disagreement. Many US analysts point to the big companies' low costs – well below those in Japan – and to healthy steel profits. European steel men, on the other hand, point to the advanced age of many blastfurnaces and the drive towards diversification. "The US is a fading force," says Jonathan Aylen, a British academic specialising in the steel industry.

The picture in Europe is much more fragmented and the performance of steel companies more varied. After shedding 500,000 jobs since 1979, perhaps another 50,000 jobs are still due for the chop. Company managements are still trying to get their own houses in order. But already observers are wondering whether the ownership structure of the industry – which includes many partly diversified steel-engineering groups – will undergo a lasting change.

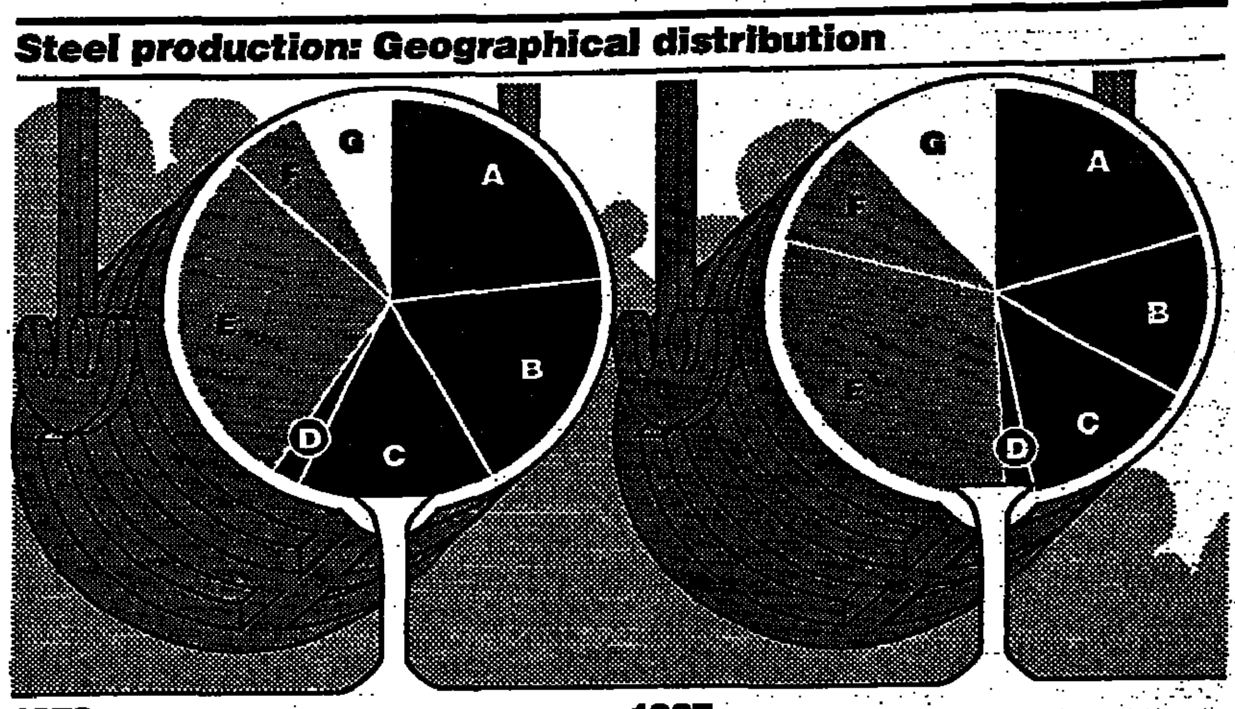
Up to now, ownership restructuring and partnerships in Europe have largely been within national boundaries. They include the realignments between the public and private sector in the UK, the merger of Sacilor and Usinor in France and the recent decision of Thyssen, Mannesmann and Krupp in Germany to merge some of their steel operations.

Cross border deals have always proved difficult. The last big one – the alliance between Hoesch in Germany and Hoogovens of Holland – ended in recriminations in 1982 after 10 years. But a few have got off the ground, like the production sharing agreement between Arbed of Luxembourg and Cockerill Sambre of Belgium. A few more are beginning to happen. Usinor-Sacilor and Cockerill Sambre of Belgium are combining production in one product category, merchant bar, as part of a deal under which the French company takes over Cockerill's electrical steels business. Vallourec in France is thought to be discussing with British Steel an alliance in tubes, as is Mannesmann with Italy's Finsider.

These deals, however, are relatively small. A report last month by Jonathan Aylen for the UK's Institute for Fiscal Studies questioned whether there would be a rush for cross-border mergers because of nationalistic rivalries, the role of influence of Government holdings in many steel industries and bid-blocking devices. "In short, European steel is protected against hostile take-over bids," he says.

But some in the European steel industry believe there could be a slow drift towards cross-border co-operation in steel manufacturing and marketing. That would leave a difficult question for British Steel, due to be floated off to the private sector very soon. British Steel is one of only a very few steelmakers around the world that has "stuck to the faith" by both investing in steel and not diversifying out of it. Dofasco in Canada, which has just purchased Algoma, another Canadian steel maker, is another example. In the present climate companies like that might have two choices if they wish to grow: to climb on the diversification bandwagon, or try to become even bigger in steel by acquisition and joint venture.

Steel production: Geographical distribution



1979		1987	
INDUSTRIALISED COUNTRIES	59.3%	INDUSTRIALISED COUNTRIES	48.8%
A Western Europe	23.3%	A Western Europe	20.5%
B North America	18.7%	B North America	13.0%
C Japan	15.0%	C Japan	13.3%
D South Africa, Oceania	2.3%	D South Africa, Oceania	2.1%
CENTRALLY PLANNED ECONOMIES	33.4%	CENTRALLY PLANNED ECONOMIES	39.3%
E USSR & Eastern Europe	28.1%	E USSR & Eastern Europe	30.4%
F China and North Korea	5.3%	F China and North Korea	8.9%
DEVELOPING COUNTRIES	7.3%	DEVELOPING COUNTRIES	11.8%

Source: International Iron and Steel Institute

OBSERVER

Taking to the fax

■ The UK postal strike has not been a disaster for everyone. Japanese facsimile machine companies, already riding high after an extraordinary four-year boom in sales, have seen demand go through the roof over the past few days.

"Since the beginning of last week, we have been totally occupied just answering the telephone and taking orders," said Nigel Hardiman, marketing manager of the telecommunications division at NEC. Cannon, the second largest fax supplier in the UK, is experiencing a similar surge. "We were already generating 100 per cent growth this year," according to Nick Velissarides, "but the dispute has caused another mini-boom."

Hastily revised forecasts suggest that the current surge in sales could add between 20,000 and 40,000 units to the original estimate of around 180,000 for the year. This will mean that the market will have more than doubled in size in the current 12 months from the 97,000 machines sold in 1987.

Only four years ago, the industry shipped just 10,000 machines. Since then, it has expanded from selling to specialised users such as advertising agencies and printers into the general industrial market. Increasingly, business is coming from small companies. British Telecom officials in the West Midlands said last week that they had been "deluged" with enquiries from small businessmen wanting to know how easy it was to install a machine.

In fact it is pretty simple. The machines plug into the standard telephone socket, and *since they use the ordinary* telephone lines to send and receive their messages, calls are billed like any others. NEC has just started selling a small machine, mainly aimed at small businessmen and people working from home, which integrates a telephone within the facsimile unit. This costs about £1,300, so the industry has not yet moved into the general consumer market. But prices are heading in that direction, and the cost of sending messages is not particularly high – sending a sheet of A4 paper would cost about the same as a one minute phone call.

The origins go back a long way. Andy Emmerson, a British Telecom executive who also chairs the Telecommunications Heritage Group, says that the basic principle of facsimile transmission was first invented in the 1840s by Alexander Bain, a Scotsman who managed to reproduce images over a distance by using an electric current connected to a printer.

Modern telephone-based machines first began to appear in the 1930s, and the Germans used them successfully for sending maps in the Second World War. But early post-war use was still limited – for weather maps, for example – because of the price.

The creation of the present market appears to be one instance where the Japanese stumbled upon a world-wide growth industry fortuitously. Fax technology was developed in Japan because of its convenience in sending hand-written messages: Japanese typewriters and word processors are cumbersome affairs because of the complex characters involved. The technology then proved marketable elsewhere, particularly in Britain's deregulated telecommunications market.

The Japanese tend to regard the fax as a domestic appliance. Maybe the same will happen here. According to Emmerson: "Facsimile is promising to be one of the great technological successes of the 1980s.

"I can't find a colour supplement anywhere – so it must be Monday."

It could eventually figure alongside video cassette recorders and cellular telephones."

Indian stunt

■ Vijayput Singhania, the man who set a new London-Delhi microlight aircraft flight record of 23 days when he landed on Saturday, is a 49-year-old millionaire industrialist. He flew a red and white British-built CFM shadow aircraft, weighing less than 150 kg. Brian Milton, the British journalist whose record of 34 days was broken, was there to meet him.

Singhania is part of the JK organisation, the fourth largest industrial conglomerate in India. He said he undertook the flight to promote the spirit of adventure in the country. He does "not want India to known only as a nation of snake charmers". The principal reason, however, was to promote the Indian Post, the promising English daily the JK organisation launched in Bombay 18 months ago.

It worked. Most of India's Sunday newspapers carried front-page pictures of a beaming Singhania standing in front *of his aircraft whose name,* L'Esprit d'Indian Post, was prominently painted on the fuselage.

Pale greens

■ Brand New Product Development Ltd has published some useful research to accompany the Green Consumer week that opens in Britain today. The thrust of it is that the green movement itself may still antagonise people a little because it is seen as being too aggressive, and sometimes freakish, but a kind of pale green movement is developing. It includes those for whom ecological concern is now one of the factors influencing their purchases.

The section of the community that is becoming increasingly open to the movement is women with older children. The children pick up the environmental information at school and "educate" their mothers, who can be very receptive when it comes to purchasing.

One finding seems remarkably high: 23 per cent of respondents to an opinion poll said that they had taken bottles to a bottle bank. More said they would do so if there were *more bottle banks available.*

Can't win

■ A reader whose wife repeatedly nagged him because he never replaced the cap on the toothpaste after use decided to turn over a new leaf: on three successive mornings he replaced the cap. At breakfast on the third morning his wife said she wanted to ask him a personal question. "Tell me," she said, "why have you stopped brushing your teeth?"

Of course, it was probably the wife who squeezed the tube from the middle.

A cocktail to revive the left

David Goodhart looks at attempts to reinvigorate the West German SPD

The conference of the West German Social Democratic Party which finished earlier this month was an important, and most confusing, political event.

The importance lay in the bold declaration that the SPD (or part of it) has once again begun focusing its considerable intellectual resources on the formation of a coherent left-of-centre economic and employment policy for a competitive, capitalist, economy.

If successful, such a policy could transform the SPD's election chances in 1990, provide a beacon for a European left bereft of appealing new ideas, and restore the "Swedish model" to the honoured position it once enjoyed among social democrats everywhere.

The confusion, on the other hand, was summed up by the ecstatic reception reserved for a key speech from Oskar Lafontaine, the standard bearer of the SPD's new economic thinking, who was then immediately snubbed by the same delegates in votes for the party's senior posts. So the victory of the "new revisionists" is by no means assured.

Under Helmut Schmidt in the 1970s the SPD leadership enjoyed a reputation for economic competence unmatched by any other social democratic party. But in the 10 years since the worldwide loss of faith in Keynesian demand management the party has lost its economic touch. Despite embracing the market economy at Bad Godesberg in 1959, the SPD's image – in opposition after 1982 – became increasingly anti-capitalist and/or anti-growth.

What the new revisionists – led by Lafontaine, the Saarland premier, – are now proposing is that capitalists should not just be tolerated; they should be encouraged to amass, and reinvest, higher profits in the interests of job creation. But Lafontaine is not merely advocating a most un-social democratic distribution of national income, he is also groping towards a "post-corporatist" model for social advance and full employment – despite borrowing many of his ideas from Sweden, that archetypal corporate state.

The most politically dangerous (and headline grabbing) part of his speech was a direct attack on trade union privilege and inflexibility. In the jargon of the labour markets he accused the "insiders", the well-paid, well-organised, bureaucrat or skilled worker, of disregarding the interests of the "outsiders", the unemployed, the partly employed, and many women workers. Mr Lafontaine also spoke warmly, if rather vaguely, about the advantages of decentralisation, dynamic smaller companies, the importance of an ecologically sensitive tax system, and the benefit of worker stakes in capital.

But if there is something of "if-you-can't-beat-the-right,-join-it" about some of these ideas, the SPD as a whole (not just the new revisionists) is breaking new ground in another way. The conference agreed to a quota system to raise women's participation in politics. The reform requires that by 1994 women hold 40 per cent of all party posts and by 1998 40 per cent of all its MPs' seats. It is also an attempt to capitalise on the leftward shift in women's voting habits, and pull the rug from under the irritating but significant Green Party.

Superficially the emphasis on women, ecology, the unemployed, has similarities with the Rainbow Coalition of the dispossessed, advocated at different times over the past few years by the radical left in the US and the UK. But the new revisionists also want to reach out to the affluent and influential yuppie voters.

They part company with Rainbow Coalition radicals even more decisively in their unashamedly hard-headed, and largely pro-market, economics, and their belief that the state must play a less direct and obtrusive role in economic management. According to Professor Fritz Scharpf, an economic adviser to Lafontaine, the successful, inflation-restraining, corporatist social democracy of 1970s

The revisionists want capitalists to be encouraged to reinvest higher profits in the interests of job creation

West Germany or Austria is no longer possible or even desirable; and neither is the piling up of large budget deficits. "At a time of high real interest rates deficit spending is just a redistribution from taxpayers to holders of capital, and it has proved incapable of dealing with mass unemployment," he said.

Equally the traditional trade union goal of increasing the share of wages in national income does nothing for the unemployed. "We have to offer capitalists higher profits to tackle unemployment," says Professor Scharpf. And the new revisionists do indeed propose a reduction in corporate tax, at least on reinvested profits, that goes considerably further than the plans of the present conservative coalition.

Another novelty – at least for a social democratic audience – lies in the revisionists' plans to increase the number of jobs without increasing unit labour costs for employers. They advocate three main approaches:

● First, the state should subsidise private employers to hire new workers, at a lower cost to government finances than keeping them on unemployment benefits.

● Second, working time should be reduced but, at least for better paid workers, pay should decline proportionately; it was this idea, floated in the middle of public sector wage negotiations earlier this year, which first won Lafontaine the enmity of the unions. He has now added the thought that in return for pay cuts, or at least moderation, employers and unions should sign binding agreements on the creation of new jobs.

● Finally, more flexible working time should be introduced in capital intensive industries and in the services sector. In advocating a more efficient use of expensive machinery Lafontaine is speaking up for Germany's big manufacturing exporters anxious about low-wage competition from the Far East. He also wants to convince them that, under an SPD government after the creation of the European Community's single market in 1992, it will not be necessary to shift their plants to lower cost parts of the EC.

Much of this is music to employers' ears, especially coming from "red" Oskar – until recently a darling of the left and one-time advocate of an SPD alliance with the Greens and withdrawal from Nato. And it has been warmly greeted by leading members of the liberal Free Democrats, with whom the SPD will have to ally themselves to return to power.

But there is also a social democratic precedent. Sweden in the 1960s and 1970s was admired for its welfare system and its consensual industrial relations. But the SPD leaders who have recently been bumping into each other in Stockholm have been examining the wealth creating aspects of the model: the low corporate taxes, the flexible use of manpower and machines in the dynamic exporting sector, and relatively low pay and disciplined unions in the public sector.

The Swedish economy is an attractive model to the SPD because it has a similar structure to the German and the Swedes have overcome their structural crises in shipbuilding and steel with virtually no unemployment. But genuflecting before the Swedish model and quoting Brecht and Marx in his speeches will not protect Lafontaine from his many SPD opponents who dislike what they view as his Napoleonic posturing, his trendy pragmatism and his anti-union advocacy of "socialism in one class."

Mr Lafontaine: formerly Red Oskar, darling of the left

The unions and the traditional Keynesians who stand in Lafontaine's path are not dinosaurs. Franz Steinkühler, leader of I G Metall, and both friend and opponent to Lafontaine, claimed at the conference that Ford had admitted in negotiations that if it were to win weekend working at its three big European plants the subsequent increase in production would be so huge that without a corresponding surge in demand it would be able to close one of the plants. (Ford denies that it is even seeking weekend working in Germany.) And the economic policy document that the conference actually passed fell far short of the full Lafontaine package.

Whether Lafontaine prevails depends in part on the support of party leader, Hans-Jochen Vogel, and on the political calculation: can the SPD win without the active support of the unions? The new revisionists argue that union members – except perhaps in parts of the public sector – would endorse much of their package, and that activists and leaders will still work to get the vote out during an election because the SPD will remain their best option.

The former view seems borne out by the growing trend for works councils at plant level to accept tempting packages of shorter hours in return for more flexibility, against the orders of union head office. Also, as one senior I G Metall official admitted, most union leaders recognise that Lafontaine does possess political charisma and remains the most likely figure to lead the SPD out of the wilderness. The unions thus have the delicate task of trying to undermine some of his ideas without wounding him too much.

Even Lafontaine's supporters often find him brusque and unpredictable but he none the less articulates the yearning for a new cocktail of ideas – beyond traditional left and right – felt by a large group in the party. His attempt to re-establish the social market idea of market dynamism combined with social responsibility, and then mix in the feminist and ecological ideas of the 1968 generation has certainly caught the imagination.

Some of Lafontaine's appeal and radicalism evaporates outside Germany where, for example, Sunday working and environmental protection are not such emotive issues. But his attempt to revive the SPD could have reverberations throughout a European left still groping for a new intellectual framework.

LOMBARD

A non-believer begins to cheer

By Samuel Brittan

A BOOK HAS been published which should do more good to the reputation of the Government's economic policy than any number of eulogies from true believers. For Professor Geoffrey Maynard is a mainstream practitioner who has few of the enthusiasms of the acolyte.

In The Economy Under Mrs Thatcher, just published in paperback by Basil Blackwell, he explains in some detail why "monetarists did not provide much guidance in the period and only after the event did they indicate the unreliability of Sterling M3." He is also pretty cool about the current favourite, M0. He believes, too, that because of the deleterious effects on the exchange rate of relying solely on interest rates budgetary policy must also be used to manage demand.

He criticises the Government for not paying more attention to the social consequences of unemployment; and for its delay in introducing both specific targeted measures and more fundamental measures on education and training.

Yet, despite these and many other criticisms, Maynard states that "the economy is now better positioned for sustained growth than has been the case for many years past."

But first he disposes of the view that unemployment was high because the Thatcher Government refused to boost demand in its early years. He attributes the unemployment rise of both the 1970s and the 1980s to upward pressure on real wages. His chapter on employment policy is probably his best.

The contribution of excessive real wages is obvious from the figures for the 1970s. In the 1980s, when profit margins have been restored, the argument is more subtle one about the *attempt* to obtain excessive real wages, which leads instead to fewer jobs and higher prices at any given level of demand.

In the Thatcher Government's own contribution to economic regeneration, "the exchange rate has been central," according to Maynard, an explanation which may not be music to the ears of some of Mrs Thatcher's advisers. The key to most of what happened was the upward pressure on the real exchange rate as long ago as 1979-80. From this, most other events flowed.

The exchange rate squeeze was doubly unintended. It arose out of monetary policy mistakes, which transformed an intended gradual disinflation into a sharp shock. Moreover, the unforeseen result was a highly successful, if accidental, industrial strategy.

"By refusing to accommodate rising costs and poor productivity with exchange rate depreciation, macro-policy imposed pressure on industry to raise productivity, lower costs, and generally move its products up market. Many firms whose managements were often vociferous in their criticism of government exchange rate policy subsequently achieved productivity improvements and product upgrading" to an almost revolutionary degree.

But unlike many of the retrospective defenders of the 1979-80 exchange rate squeeze, Professor Maynard believes the Government was right to allow sterling to fall back afterwards and to allow a further fall when the oil price plunged in 1985. Maynard sees the point of Nigel Lawson's informal shadowing of the EMS and also his drive (uncourageously dropped under pressure from the Prime Minister) for a more stable exchange rate system at last year's IMF. On the other hand, he does not share the Chancellor's enthusiasm for cuts in the average rate of income tax.

Maynard has suffered for his iconoclasm: first, under the Douglas Wass regime in the Treasury in the 1970s, and later for telling our present rulers that monetary policy could not reduce inflation without heavy initial unemployment.

To get the most out of this study, the reader will have to come with his own questions, rather than expect the issues to be painted in primary colours. The publisher could have made the work easier to follow if he had introduced an analytical table of contents, a list of tables and charts, and given the date of going to press. He could also have done more to publicise it. But even a British publisher cannot prevent the book from being the best non-rarefied guide to Thatcherite economic policy on the market.

LETTERS

Six recommendations for the debt problem

From Mr Anthony Solomon and Mr Rodney Wagner

Sir, We object strongly to the report of conclusions reached by a panel we chaired on developing country debt, which appeared on the front page of the Financial Times on September 8. The Third World Debt Panel of the Economic Policy Council of UNA-USA made six recommendations for addressing the debt problem, none of which called for "partial debt forgiveness," as reported in your article. Debt forgiveness has an important and precise meaning in banking: the unilateral cancellation of a claim by a creditor. In fact the panel discussed and specifically rejected recommending debt forgiveness.

The report of the panel of 29 participants, representing many points of view on the debt situation, attempted to identify broad thrusts that would preserve stable banking systems and allow debtor countries to resume growth and economic development benefiting all their people. It calls for:

(1) Governments of the major financial centres to exert strong leadership among key participants and to support flexibility and the search for innovative solutions.

(2) Structural reforms in the debtor countries.

(3) Creditor banks and governments to act in concert to close the gap between debt servicing outflows and financial inflows from all sources, when actions by debtor countries are not sufficient to bridge that gap.

(4) The US Congress to approve the US contribution to the World Bank's General Capital Increase and for more imaginative use of co-financing and parallel financing techniques by the World Bank and regional development banks.

(5) Voluntary debt-service-reduction techniques – including debt exchanges, debt-equity conversions, and exit bonds – to be pursued as a serious alternative and complement to more lending, with official encouragement and support when appropriate.

(6) Recognition that if debt service reduction is carried out co-operatively and voluntarily through negotiation and mutual agreement by the principal parties, it would have the desired effect not only of reducing outstanding claims against the country but of aiding economic recovery and bringing about "creditworthiness."

Anthony M. Solomon, Chairman,
S.G. Warburg (USA),
Rodney S. Wagner,
Vice Chairman, Credit Policy Committee, Morgan Guaranty Trust Company.

Ferranti was very enterprising, but was not alone

From Mr Bill Jeffrey.

Sir, Shaye Communications, backed by a group of enterprising industrialists (including Timex Corporation, Nokia-Mobira and Fred Olsen), might have cause for sympathy with Sir Derek Alun-Jones of Ferranti when he suggests (*Letters, September 5*) that the commercial world is about to be unfair to his company.

Certainly Ferranti was very enterprising in starting its development work on second generation cordless telephones (CT2) so early – but it was not alone. Shaye, also a CT2 pioneer, has continued to develop its technology, and is similarly in a position of being able to supply products to the market-place, right now.

Despite this similarity, I detect from Sir Derek's letter an important difference between the views of the two companies.

Shaye believes in fair and free competition between the many manufacturers of CT2 telephones and operators of networks that will undoubtedly be attracted to what is, potentially, a very large market opportunity.

No company should be offered an early licence to operate a service simply because it moved earlier into the CT2 development phase. Shaye has concentrated on developing the best telephone and base station available to date. In addition to spending three years developing the CT2 specification with our colleagues in UK industry, we have also spent the last six months leading the development of the new common air interface standard for the UK CT2 industry.

We are collaborating with a number of different prospective network operators. By providing a superior technology to those with the experience or expertise to offer a viable telecommunications infrastructure, Shaye will help to ensure that the proposals to the Department of Trade and Industry, from potential CT2 network operators, concentrate on detailing their experience, quality of service and size of network that the operator proposes to provide to the general public.

While I would entirely agree with Sir Derek in his assertion that the CT2 network should be allowed to proceed immediately – and not await any common air interface standard – I wholly disagree with his assertion that Ferranti should be allowed to do this alone.

Shaye Communications, in partnership with its prospective operators, is in a position to launch products and service at the same time as Ferranti. The consumer alone should decide which product and service he or she would prefer to use.

Bill Jeffrey,
Shaye Communications,
Capital House,
48-52 Andover Road,
Winchester, Hampshire

Pity to make a pig's ear out of a silk purse

From Mr Andrew Cooper.

Sir, I have just returned from a one-week biennial conference of more than 2000 leading electrical engineers from 79 countries.

Having been a member of this organisation for more than 40 years, and its world president for the maximum term of six years, many people talked to me. What seemed to dominate everyone's thinking was the privatisation of the UK electrical supply industry.

Their views can be encapsulated in a single phrase: "You must be mad".

The chief of one of the biggest US electric utilities said to me: "I can't understand what it is you are trying to do unless it is to make electricity dearer. We receive from your country regular deputations of economists, civil servants, university professors, politicians and the like who haven't the slightest working knowledge of integrated power systems, and they want to know how our famous "power pools" work. They return even more confused than when they came, because they have to be told that we regularly send deputations to the UK to study the finest electricity supply system in the world."

What genius thought of disassociating the grid system from the power stations which feed it? They are designed to work as an integrated whole, not as one isolated bureaucracy tacked on top of another. I learn, too, that the transmission system is not to be owned by the people who understand it and who will have to run it, but by a mixed bag of some 12 new competing distribution boards which have never operated at voltages higher than 132kv.

Their involvement with the ownership of the grid system could and should be eliminated by a stroke of the pen. They will have enough to do in arranging to import their quota of nuclear units while keeping their selling prices no higher than is stipulated by an omnipotent regulator.

They can, of course, buy cheap power where it is available, and even generate their own. They are also free to develop combined heat and power schemes. In addition to these forays, Mr Max Wilkinson, your energy correspondent, has already indicated (August 30) what additional chaos awaits the unwary purchaser.

I think the root trouble is that the UK Government minister responsible has been advised by consulting engineers who build power stations and lines and then walk away from the problems of operating them. (Some of the operators were allowed to speak, but it seems that no-one took any notice of what they had to say.)

There was a time when I thought that Mrs Thatcher might go down in history as the finest Prime Minister we ever had. With the break up of a magnificent electricity supply system, and the incomprehensible problems which have been left for the engineers to solve, she is more likely to be remembered for making a pig's ear out of a silk purse.

Andrew R. Cooper,
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Hove, East Sussex

FINANCIAL TIMES
Monday September 12 1988

Janet Bush on Wall Street

SEC's not so open and shut case

ONE SENSED that the two-year investigation into Drexel Burnham Lambert was drawing to a close during the recent Democratic convention in Atlanta.

During each interminable commercial break, there were advertisements showing clusters of smiling people outside their new homes and new businesses courtesy of financing from Drexel Burnham Lambert.

The filing of an 184-page document by the SEC last week, detailing charges of every securities law violation in the book, provided the only source of interest in an otherwise extraordinarily dull week on Wall Street.

Financial markets' reaction to news of the SEC charges and subsequent strong indications that criminal charges would be filed at the end of this week was muted, to say the least.

On Thursday, some stocks involved in takeover bids looked jittery but recovered their poise with the broader market by last Friday.

Polaroid was a case in point. Under siege from Mr Roy Disney's takeover vehicle Shamrock Partners, partially financed by Drexel Burnham Lambert, the instant photograph company dropped as low as $39¾.

However, on Friday, Shamrock announced it would pay as much as $44 for Polaroid's common stock if the company agreed to disband its recent anti-takeover measures and to a friendly merger.

Drexel was pretty well obliged to mention the fact in Shamrock's filing with the Securities and Exchange Commission that the SEC charges and a grand jury investigation could have a damaging effect on its business.

Nevertheless, with a touch of its usual chutzpah, Drexel reiterated that it was "highly confident" that it, along with Wertheim Schroder, could find around $1.3bn in financing.

One reason for the total lack of reaction in the junk bond market to the SEC charges is, of course, that the charges have been expected for a long time. Second, Drexel's monopoly on new junk bond issues has long been broken. Third, and perhaps most tantalising, there was a distinct suspicion around New York late last week that the SEC's case might not be watertight.

Fuelling a feeling that Milken's ship may not go down was the lack of any concrete statement of intent from Mr Rudolph Giuliani, US attorney in charge of the investigation against Drexel.

There were many hints that criminal charges were on the way and assured press reports that target letters had been sent to Mr Milken and the other individuals named in the SEC document, notifying them that criminal charges would be brought.

But after a lengthy investigation, it does not look too good that the Grand Jury is still receiving depositions. Nor do the repeated statements in the SEC tome that many documents which would back up its allegations have been destroyed.

The SEC's top officials were clearly on the defensive last Friday when they appeared before the House Telecommunications and Finance subcommittee.

Mr David Ruder, SEC chairman, looked rather lame as he asked for more funding for the SEC while Mr Gary Lynch, director of enforcement, came under fire from concerned Congressmen, worried that the SEC's case rests largely on the testimony of Mr Ivan Boesky, the jailed arbitrageur already proven to be a less than reliable character.

The focus of insider trading scandals had shifted recently to Tokyo where the practice appears to be as ingrained as in the US, but the stars of America's insider trading parade were back in the limelight this week.

Mr Dennis Levine, former member of Drexel's mergers and acquisitions department and beginning of the circle through Ivan Boesky back to his own company, was released from his two year jail sentence after 18 months for good behaviour.

Taking over the baton was Mr Stephen Wang, formerly an analyst at Morgan Stanley, who last Wednesday pleaded guilty to criminal insider trading charges.

If US judges continue to keep insider trading jail sentences reasonably short, the swift turnover should ensure that Wall Street's misdemeanours do not add to the nation's already chronic problem of prison overcrowding.

G7 meets in run-up to US election

By Philip Stephens, Economics Correspondent, in London

SENIOR officials from the Group of Seven industrial nations will meet in Paris on Thursday as governments step up their efforts to preserve calm on financial markets in the run-up to November's US presidential election.

The private consultations among officials from the US, Japan, West Germany, France, Britain, Italy and Canada will lay the groundwork for a planned meeting of G7 finance ministers and central bankers in Berlin on September 24.

They will follow more formal talks on Wednesday between officials of the larger G10 grouping, which in turn will mark the start of high-level preparations for this month's Berlin gatherings of the International Monetary Fund and World Bank.

G7 officials said Thursday's talks would focus on an assessment of this year's sharp upturn in the pace of economic activity and on progress in reducing international trade imbalances. The IMF's latest forecasts suggest that growth in the seven economies may reach nearly 4 per cent in 1988, but it far less optimistic about the outlook for continuing reductions in the US trade deficit and in the surpluses in Japan and West Germany.

The officials will also review recent developments in the foreign exchange markets and assess the likely impact on a worsening inflation outlook of this summer's round of interest rate rises.

Recent transatlantic friction over interest and exchange rates has subsided in the wake of the dollar's fall from its highs last month against the D-Mark. Assurances offered by the US Administration that it was not operating a deliberate policy of seeking to push up the dollar's value, have also contributed to a more cooperative atmosphere.

Assuming that his appointment receives Congressional approval later this week, Mr Nicholas Brady, the newly appointed US Treasury Secretary, will represent the US at the Berlin talks. He has already pencilled in bilateral meetings with other ministers.

European officials said their governments would stress to Mr Brady their view that if Mr George Bush wins the November elections he must move quickly to announce a programme of significant reductions in the US budget deficit.

The officials acknowledged concern that tension over the past few months between France and West Germany over the Bundesbank's interest rate policy could mar the atmosphere of cooperative calm.

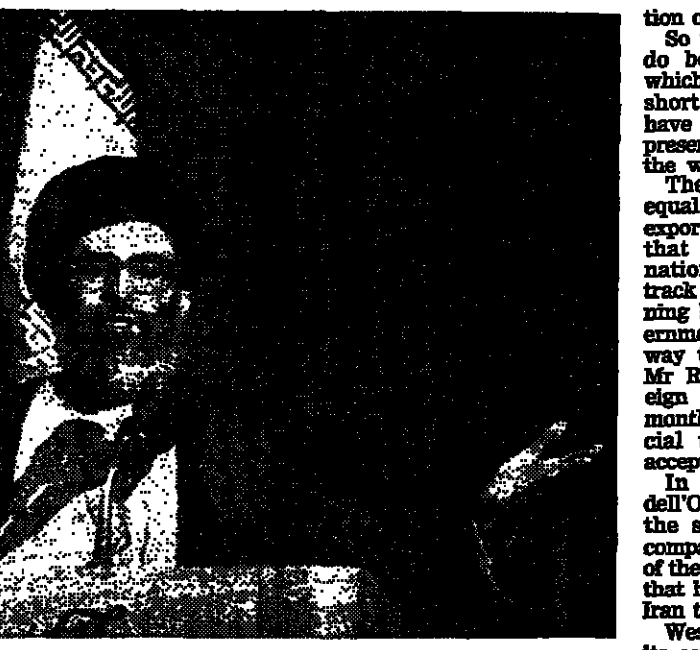
Mr Michel Rocard, France's Prime Minister, said last week that "self-centred" interest rate policies were hampering policy coordination within the G7.

Economic notebook, Page 21

Iran opens its doors for business

FT Correspondents report on Tehran's first postwar trade fair

IN TERMS far from the revolutionary Government's erstwhile rhetoric, President Ali Khamenei of Iran says, "in reconstruction of the country, we must make use of the knowledge, expertise and resources of the foreigner."



Khamenei: "We must make use of foreign expertise."

Tomorrow, hundreds of businessmen from around the world will have an opportunity to test the Iranians' new-found enthusiasm for foreign companies with the opening of the Tehran International Trade Fair. The exhibition is the first since the ceasefire in the Gulf war, and as such should offer a fascinating snapshot of the possible business to be won in rebuilding Iran's badly damaged infrastructure.

Iran has, of course, continued to provide quite a lucrative market for numerous Western exporters throughout the eight-year war with Iraq. But many contractors and other suppliers have found the going increasingly tough in the past couple of years.

Conversely, the ending of hostilities has provoked a surge of interest among foreign companies, with air seats to Tehran in great demand.

West Germany, for example, which has been consistently the top exporter to Iran in recent years, with about a quarter of the market, is sending more than 60 companies to the fair, compared with less than 50 last year, and would have sent more if they could have been accommodated.

Perhaps the most remarkable turnaround is the case of Britain. A year ago, following the sharp deterioration of diplomatic relations with Iran in the summer, British business was conspicuous by its absence. This year, Tehran sent Britain's Department of Trade and Industry an invitation to the fair only six hours after the Iranian Government sued for peace in July.

As a result, 64 British companies will have stands at the fair, including British Petroleum and such big names from the power generation industry as Hawker-Siddeley and GEC. A further 120 have had to be turned away.

Other countries are being more cautious. Japan's External Trade Organisation (Jetro) has managed to round up only eight Japanese companies - including Komatsu, the construction equipment group, Bridgestone, the tyre producer, and Ricoh, the copying machine manufacturer.

The response from French industry has been distinctly unenthusiastic, much to the embarrassment of the Government. Only about 20 big French groups will be present to mark France's return to the Tehran fair after a nine-year absence.

This low-key approach reflects a theme common among companies of other nationalities. Most businessmen, even from those countries heavily represented at the fair, are going out of curiosity rather than in expectation of an instant bonanza. Given Iran's current acute shortage of foreign exchange, everyone recognises that reconstruction is going to be a long haul.

What is more, nobody has any precise idea what the Government's post-war priorities will be, or how it plans to handle any influx of foreign companies.

The recent evidence of a high-level split over economic policy, and in particular over the respective roles of the public and private sectors, has made some foreign businessmen pause. There is also considerable uncertainty about whether Iran, with its ostensible Islamic objections to bank interest, will be inclined to borrow funds abroad to finance projects, and whether such money would be forthcoming.

"For old Iran hands to go out and renew their contacts might be worthwhile. But, in general, my advice is: hang back a bit," says Mr Dennis Cumming, director of Britain's Committee for Middle East Trade.

"The Iranian market will not open up rapidly. There just isn't the cash and the financial infrastructure for big contracts to be signed yet," agrees a London-based banker.

Companies with good reason to be optimistic include those in the plant engineering and power supply business, since Iranian leaders have already indicated that rehabilitating the oil industry and improving electricity generation are top priorities; so is the reconstruction of damaged oil refineries.

So which countries stand to do best in the competition which is bound to ensue? The short answer is those which have maintained a significant presence in the market during the war.

The Italians, for example, equal third with Britain among exporters to Iran, like to think that among west European nations they have an inside track when it comes to winning big contracts. Their Government has gone out of its way to cultivate Tehran, and Mr Renato Ruggiero, the foreign trade minister, was last month the first European official to go there after Iran accepted the ceasefire.

In Milan, Mr Gianni dell'Orto, president of Saipem, the state-owned oil pipeline company, crowed: "We are one of the few companies in Europe that has worked non-stop with Iran throughout the war."

West Germany also expects its consistently strong trading links with Iran to pay dividends. More than 80 German companies kept offices in Tehran through the war.

The Japanese may not be too concerned about their low profile at the fair because they have consistently ranked as second exporter to Iran and they buy significant quantities of Iranian crude.

The British admit they have not been good at winning projects in Iran, but point to their continuing presence as a supplier of spares and other equipment.

In that sense, the French may prefer to concentrate on their ally Iraq, which is holding its own trade fair in November. As for the US, the "Great Satan" of Iranian demonology, it will probably have to wait a while before it reappears openly in Iran, although US business, in the form of Bechtel, the engineering giant, has operated there via a British subsidiary for some time.

Contributions from:
Andrew Gowers in London
Alan Friedman in Milan
David Goodhart in Bonn
Paul Betts in Paris
Ian Rodger in Tokyo

Burma promises free elections

By Roger Matthews in Bangkok

THE BURMESE Parliament yesterday bowed to popular pressure and agreed to hold free, multi-party elections within six to 12 weeks. President Maung Maung immediately said severe action would be taken against those who resorted to violence.

The decision came one day after the Burma Socialist Programme Party, which has ruled for 26 years, agreed to end its one-party monopoly. President Maung Maung told delegates to a special congress that their decision demonstrated a desire to put the well-being of the people ahead of their own interests.

But his view does not seem to be shared by leaders of the hundreds of thousands of demonstrators who in the past month have made the country almost ungovernable. Their distrust of the ruling party is profound.

While welcoming the decision to hold free elections, opposition leaders continue to insist that voting should be conducted under a provisional government.

In Rangoon yesterday, demonstrators, including police officers and army deserters, again called on the Government to resign.

Some diplomats in Rangoon believe the Government's concession may again be too little, too late and fear further violence if President Maung Maung orders the military to repress demonstrations.

The president, who has been in office for little more than three weeks and is believed to be taking orders from General Ne Win, former president, also attacked the announcement on Friday by U Nu, the last elected prime minister, that he had formed a provisional government.

President Maung Maung described the announcement as dangerous but did not elaborate.

Some opposition leaders also saw U Nu's move as premature but agreed that if a provisional government was to be formed, the former prime minister would be one of the best candidates to see the country through until it had a democratically elected Parliament.

Aung San Suu Kyi, the politically influential daughter of Aung San, a heroic figure in Burmese history who was assassinated in 1947, injected a dose of realism into the debate by asserting that it could take up to two years to form parties to contest a general election.

Meanwhile, she said she favoured an interim government which would immediately tackle the country's grievous economic problems and make proper preparations for voting.

However, the ruling party has not yet admitted to itself that it has totally lost political control, a feeling reinforced by the continued passive loyalty of the army. The mood at Saturday's special congress was one of reluctant concession rather than defeat.

President Maung Maung told the delegates not to despair because of the current disturbances. The essence of the party's problems was that it had been born to power. "When one has power one wallows in it, and when one has not power one thirsts for it."

Nu, still willing to lead, Page 4

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	25	77	Malta	F	28	82	Rhodes	S	28	82
Algiers	S	35	95	Edinburgh	F	16	61	Manchester	C	15	59	Rio de J'o	F	36	97
Amsterdam	F	19	66	Faro	S	30	86	Manila	F	33	91	Rome	F	20	68
Athens	C	29	84	Florence	S	26	79	Melbourne	F	18	64	Salzburg	S	22	72
Bahrain	S	35	95	Frankfurt	C	25	77	Mexico City	-	-	-	San Francisco	F	20	68
Bangkok	F	31	88	Funchal	S	25	77	Miami	C	30	87	Seoul	R	26	79
Barcelona	S	26	79	Geneva	F	24	75	Milan	S	26	79	Singapore	R	31	88
Bolnz	F	30	86	Gibraltar	S	25	77	Montreal	F	23	73	Stockholm	C	16	61
Belfast	R	15	59	Glasgow	C	14	57	Moscow	F	15	59	Strasbourg	S	23	73
Belgrade	F	26	79	Guernsey	C	15	59	Munich	F	23	73	Sydney	C	25	77
Berlin	S	19	66	Helsinki	F	18	64	Nairobi	C	21	70	Taipei	F	35	95
Biarritz	S	23	73	H. Kong	F	31	88	Naples	S	26	79	Tangier	S	30	86
Bombay	F	30	86	Innsbruck	F	23	73	Nassau	F	31	88	Tel Aviv	F	29	84
Bordeaux	S	24	75	Inverness	R	14	57	New Delhi	F	32	90	Tenerife	S	28	82
Brussels	C	20	68	Islamabad	F	35	95	New York	F	29	84	Tokyo	C	28	82
Budapest	F	26	79	Istanbul	F	25	77	Nice	S	25	77	Toronto	F	23	73
B. Aires	F	19	66	Jakarta	F	31	88	Nicosia	F	34	93	Tunis	F	29	84
Cairo	F	33	91	Jersey	C	17	63	Oporto	S	20	68	Valencia	F	27	81
Cape Town	F	13	55	Jo'burg	F	27	81	Oslo	R	14	57	Venice	S	25	77
Caracas	C	26	79	Lima	F	19	66	Paris	F	20	68	Vienna	F	25	77
Casablanca	S	26	79	Lisbon	F	31	88	Peking	S	29	84	Warsaw	F	20	68
Chicago	R	30	86	London	C	19	66	Prague	S	22	72	Washington	F	18	64
Cologne	C	19	66	Los Angeles	C	25	77	Reykjavik	S	11	52	Zurich	F	22	72
Copenhagen	C	22	72	Luxembourg	C	16	61								
Corfu	S	26	79	Madrid	C	32	90								
Dallas	F	20	68	Majorca	F	31	88								
Dublin	F	15	59	Malaga	C	27	81								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dukakis on the offensive

Continued from Page 1

results, some of which are showing that the socalled "gender gap" against Mr Bush has also closed. In July Mr Dukakis was running particularly strongly among women voters. That no longer seems to be the case.

More important, because the election is decided state-by-state, is the evidence that Mr Bush is leading in the key states of Texas and Florida, is neck-and-neck with his rival in California and Illinois, and seems to have consolidated his position in the South, a crucial base of conservative support.

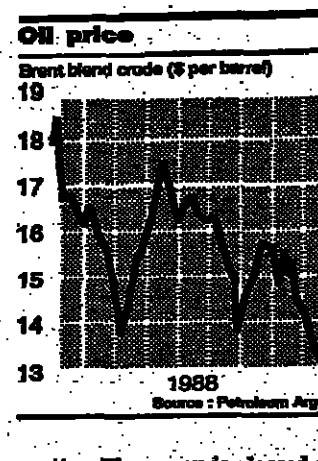
The volatile mood of the electorate, with independent voters apparently switching from one side to the other by the week, means that Mr Bush's lead is by no means decisive.

He is also planning today to reinforce his foreign policy credentials by announcing the formation of a national security advisory panel which will include a broad cross-section of Republican opinion including, reportedly, Mr Henry Kissinger.

THE LEX COLUMN

Running scared of cheaper oil

The behaviour of the oil market last week demonstrates its present dilemma. The sheer quantity of oil being produced suggests a price this low or lower, but the market does not dare risk it. Traders have not forgotten how much money they lost in 1986 when the price jumped by nearly 50 per cent in a day, and are searching – under the most unpromising conditions – for reasons to buy.



The excuse for the rally on Thursday from a two-year low of barely $13 was the thinnest rumour of a special Opec pricing committee meeting to be held soon. But the real reason is that the market simply does not believe in low oil prices. While it is doubtless true that Opec will not tolerate oil prices at $13.50 for long, there is no guarantee that things will not get worse before they get better.

Given such a grim outlook, share prices in the oil sector are faring remarkably well. Oil prices in sterling are as low as in the middle of 1986, yet the oil sector is 40 per cent higher relative to the market than it was then. Both investors and the companies themselves appear to have taken note of what happened last time. The industry is leaner and less geared, so that even at a sterling price of under £8 a barrel most companies can survive for a while. Meanwhile, investors are not going to be tricked into selling now, only to miss out on another sharp rally.

Gold Fields

There is no easy explanation for the recent sharp rise in the share price of Consolidated Gold Fields. Its annual results tomorrow, which are expected to show that it earned around £1 per share last year combined with a modest dividend increase, are almost certainly not the reason. On the assumption that its profits dip next year, the shares are currently trading at a substantial premium to the market and given the uninspiring outlook for the gold price they do not deserve such a rating.

However, the big attraction of Consolidated Gold Fields has always been its underlying asset value rather than its current earnings stream. The ARC aggregates operations are worth upwards of £1.5bn, and the US gold mining interests are probably worth at least as much again, so it is easy to argue that at its current market capitalisation of around £2.2bn Consolidated Gold Fields is cheap. Of course, realising these values is another matter. The group is classed as a dealing company so there are serious tax consequences which might deter either a predator, or even Gold Fields itself, if it wanted to sell ARC.

That said, there are several reasons, ranging from worries about the impact of any US political sanctions on the group's operations to the presence of an increasingly active major shareholder, which suggest that Gold Fields is in a state of some flux. In addition, shareholders are bound to become increasingly restive over the longer term when they see the stock market value Newmont Gold $1.4bn more highly than its parent – Gold Field's 49 per cent owned US affiliate, Newmont Mining. Last week's reorganisation at Newmont should help narrow the discount, but unless Gold Fields takes further steps to ensure that its own underlying asset value is better reflected in its share price, sooner or later someone else will come along and have a try.

IDBs

In the crossfire which has recently broken out between London's equity market makers, the inter-dealer broker (IDB) looks like becoming an endangered species. Since the crash, these useful little institutions have come into their own as a channel through which market makers can do business with each other while preserving their anonymity. Lately, however, some market makers have shown reluctance to deal with anyone but their clients, and the simultaneous fall in volume and reduction in spreads leave the IDBs little room for manoeuvre.

Granted, even the biggest market maker can scarcely do without his rivals all the time. Unlike the old jobber, the modern investment house is in the business of giving advice. If it puts out a sell story on ICI, it has to take the shares of those clients it has managed to persuade; but it can scarcely sell on to its other clients, since it is a professed bear of the stock. It must instead sell to a more bullish competitor, and if it wants to do so anonymously it must use an IDB.

Nevertheless, all this points to a central flaw in the dual capacity system: the risk that when times get hard, brokers will turn their backs on the central market rather than deal with each other. The IDBs are not central to that issue, but they lubricate the system by providing anonymity when it is wanted. It is not surprising that the Stock Exchange is presently concerned about the health of the IDBs; if they were squeezed out of business, it would have to provide some kind of alternative of its own.

Irish Distillers

If the intention of the EC in interfering in the Irish Distillers bid was to get involved in the broad issue of UK merger policy, it seems to have backfired. Instead of using its initial ruling as a platform for grander matters, it has become embroiled in the conduct of the bid itself, something better left to the Takeover Panel.

That ruling said that the consortium nature of the bid was anti-competitive, as it prevented a healthy auction developing among the three bidding parties. But by implication the ruling also appears to apply to Pernod Ricard's shut-out bid, as Grand Met complained last week. If the Commission decides to uphold the complaint, it would seem to be opening its doors to any party which felt aggrieved as a result of a shut-out deal – which are all anti-competitive in the sense that they preclude rival higher offers.

That would be a terrible headache for the Commission, as the Takeover Panel could testify. Until 1976 special permission from the Panel was required for any such deal, but the difficulty of arbitrating between squabbling bidders proved so great that the rules had to be changed. Moreover, the Panel argued - not unreasonably - that the owner of a large stake should be able to dispose of it as they wish, and if that involves giving irrevocable undertakings to sell, then so be it. Meanwhile, small investors in companies with controlling shareholders have to accept that they are not going to be decisive in the outcome of a bid in any case.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday September 12 1988

INSIDE

Cash mountain at the swap shop

Huge amounts of cheap money have become increasingly accessible through the use of Eurobond interest rate swaps, since the collapse of world stock markets. Last week the benefits to borrowers were brought home by the $400m two-part offering for French mortgage finance agency, Credit Foncier. Page 22

No easy walk to freedom

Computer makers Sun and Compaq have built billion-dollar businesses by abandoning the concept of a proprietary standard — which had long been regarded as the key to sustained profitability in the industry. Their extraordinary success has provoked speculation that an era of open, shared standards could now be at hand. But it may not be so easy to escape the logic of conventional wisdom, argues Peter Martin in the Business Column. Page 38

Charles Barker and the marriage that wasn't

A six-week courtship of Charles Barker, the troubled British public relations and advertising agency, by the much bigger advertising group WPP, has ended without a marriage. The reasons for the separation are a matter of some uncertainty, but there are many who believe that Barker, which was only floated on the stock market two years ago, is now likely to attract fresh suitors. Page 26

Zurich Holdings makes its debut

This week Zurich Holdings, a property development group, will become one of the largest companies on Britain's Unlisted Securities Market. It has gained the quotation through the acquisition of Ecobric Holdings, which specialises in demolition work. Page 27

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World status for the video slave master

Mr Michael Green believes Technicolor gives Carlton the best of both worlds in video recording

Raymond Snoddy examines the expansion strategy of Carlton Communications following its $780m acquisition of Technicolor

MR MICHAEL Green, chairman of Carlton Communications, now owns 22,000 slaves. They came at the weekend as a central part of his $780m acquisition of Technicolor, the US video duplication and film processing business — a move which launched the UK television services company onto the world stage.

Now while Mr Green sleeps the 22,000 "slave" video units will probably each be turning out copies of the latest films in plants capable of working 24-hours a day, 365 days a year.

This year the slaves will produce 80m video cassettes for a rental market worth, at retail prices, £1bn a year in the UK alone. They will also contribute to the fast growing "sell through" market, where Hollywood classics or "How to do it" videos are sold rather than rented. Next year the slaves' video output is expected to rise to 75m.

Ironically the new Technicolor slaves are much slower than the high-speed duplication equipment Carlton already owns in the US at Modern Video in Philadelphia — 150 times slower.

Mr Green, who has in the past backed the high-speed technology, has modified his views and believes he now has the best of both worlds. It depends, he argues, on the nature and volume of the job whether the $150,000 high-speed duplicators are more cost effective than the linked slaves which come at $400 a time.

Ironically it was the Rank Organisation, now one of his keenest competitors, that alerted the 40-year-old Mr Green to the Technicolor acquisition — a deal which he believes gives him around 40 per cent of both the world video duplication and cinema film processing markets.

When Mr Michael Gifford, Rank's chief executive paid $120m for a video duplication business owned jointly by Columbia, Paramount and Bell & Howell in April this year Mr Green realised time was short if he was going to buy into a business dominated by a handful of companies.

A formal approach was made, through Lazard Frères in New York, to Mr Ronald Perelman, the chairman of Revlon, the cosmetics company which held 100 per cent of Technicolor.

"He said Technicolor was not for sale but to come over and talk," said Mr Green. It was a conversation that led to many hours of tough negotiations.

"We walked out a few times but never for more than three minutes. He had to be a logical seller and we had to be the obvious buyer," said Mr Green yesterday, after a weekend spent catching up on hours of lost sleep.

It is, the Carlton chairman concedes, a very large deal, but one, he argues, where the risks are known because most of the Technicolor business is in the form of three to five-year contracts with major Hollywood studios such as Warner Bros.

A £364m rights issue is already underwritten with Hambros Bank as lead underwriter and the acquisition should take Carlton's profits into a higher division.

Analysts are forecasting profits of around £110m for the enlarged group in 1988/89, compared with Carlton's pre-tax forecast of £48m for the year to September. Last year the company made £33.7m.

"There is no question that the business he has bought is sound — but he has paid over top dollar for it," says Mr Gifford of Rank. He believes the video market will double over the next four years with sales of 10m-11m copies being predicted for the Christmas launch of the Spielberg film E.T.

"I think he (Green) has more capacity to lose market share than gain it. We will be working to help him do that over the next few years," adds Mr Gifford with heavy irony.

The daring Carlton acquisition, giving the UK a dominant hold on the world video duplication market, invites comparisons with Saatchi & Saatchi, the advertising and management services company.

Both companies have grown through rapid and sometimes outrageous acquisitions, both recognise the importance of the globalisation of their respective markets and have carried out successful raids on the US.

Mr Green is, however, keen to emphasise the great differences between the two companies, even though until recently he and Charles Saatchi used to meet for regular poker sessions. As the size of their real-life gambles has increased both seem to have outgrown their card game.

Mr Green says he believes in hard assets which cannot walk out through the door in the way an important advertising account can follow a defecting advertising man. He sees Carlton as being a technology driven company.

"I thought of us as a manufacturing company even before Technicolor," says Mr Green who emphasises there will be no dramatic pieces of lateral thinking such as the unsuccessful attempt by Saatchi & Saatchi to take over Britain's Midland Bank.

For all its size the takeover of Technicolor is almost certainly a staging post on the way to the big prize — the de-regulation of the British commercial television industry over the next few years.

Mr Green has talked and planned for years about the potential of satellite television — but faced with the consequences of several years of negative cash flow has resolutely refused to sink money into it. His companies have even made money from satellite television by supplying services to loss-making ventures such as Mr Rupert Murdoch's Sky Channel.

For Carlton and Green the target is old-fashioned land-based television when the current ITV franchises are put out to competitive tender and a planned fifth channel is launched.

If the fifth channel can be operated by one company Mr Green will go for it. If as seems likely the Government will insist on a broadly-based consortium then the target will change to the Midlands commercial television franchise at present held by Central — a company ironically in which Carlton has a 20 per cent stake.

Moral hazards for the US budget

Anthony Harris in Washington

THE Drexel Burnham affair is attracting a lot of coverage in the US but, as with the Boesky affair before, this is motivated by an almost prurient envy rather than by concern about the financial system. Lifestyles of the rich and unscrupulous, as it were.

This is a perfectly natural attitude: ordinary people were hardly involved, unless they were lucky enough to own shares in one of the companies put in play. The less greedy these shareholders were, the richer they were liable to get: those who sold early on an unexplained price rise missed half the fun and half the profit, but the sleepy ones scooped the pool.

The Congressmen who see the whole business as a cue for righteousness never seem to notice this poetically just result. What is odder, they seldom mention the damage that has been done to capitalism, and indeed to the whole US economy.

The managements of companies caught in the machinery could put them right, for it was not just the incompetent who found their assets stripped to pay off junk bonds, their long-term plans frozen in the name of cash flow, and their jobs in jeopardy.

They cannot be blamed for protecting themselves with generous severance clauses, or for mounting pre-emptive management buy-outs, but managers preoccupied with self-defence have had little time or money for growth or invention.

The effects have spread through the whole economy. The deluge of borrowed money released in this battle — some $350bn from first to last — has helped to finance consumer overspending, and thus produce the trade deficit. Corporate and consumer borrowing combined have pushed real interest rates up.

This can be said in the past tense (a little tentatively) because the financiers have now been put under some restraint. Consumer demand has subsequently fallen below the growth of output, and corporate investment spending is growing more than four times as fast as it was last year.

It is not so easy to see a happy ending to the other credit scandal now preoccupying Congress — the savings and loan crisis. The outlines must be familiar. The S & Ls are in trouble everywhere because they lent long at historically cheap interest rates and had to borrow short at higher rates.

They are largely bankrupt in the energy-producing states, where real-estate values have collapsed, and left the loans largely unsecured. (Much the same has happened to the farm credit system — another scandal waiting to erupt.)

Congressmen never complained about rash lending to their constituents. Indeed, they helped the President to make matters worse, by deregulating the S & Ls in the middle of the crisis. The hope was that these institutions would make profits in new, unfamiliar fields to offset the losses they had made in the business they were supposed to understand. What they actually did, predictably enough, was generally foolish, and occasionally criminal.

Congress remained complaisant, and sometimes worse: Speaker Jim Wright, among others, is accused of aiding and abetting these disastrous schemes.

What has finally engaged its attention, however, is the rescue operation being mounted by the Federal Home Loan Bank and the Federal Savings and Loan Insurance Corporation. This two-headed monster, generally known as Fislic, is gathering the bankrupt S & Ls into bundles, which it sells to new investors, after making expensive provisions against the losses of the past.

This, it is hoped, will be cheaper than shutting them down outright, and leaving the insured deposits as a deadweight liability of the Federal government. Fislic's chairman, Mr Danny Wall, gave much testimony last week about the hopes he places in new management, and the economies to be achieved by operating on a larger scale (most S & Ls are minute compared with a British building society).

There may be some wishful thinking here but, as Mr Wall stressed, Fislic really has no alternative. Even on his own figures, Fislic has only about a third of the capital it would need to take the direct route, liquidate the bankrupts, and honour its guarantees to depositors. Outside estimates put the cost at two or three times Mr Wall's figure: $100bn is the highest serious bid at the moment.

Mr Wall's real sin in the eyes of Congress, though, is not so much that his strategy is risky — though he was asked what would happen if his new super S & Ls went bust in their turn — as a question of prerogative.

In an effort to conserve its core capital, which is raised out of the insurance premiums paid by the S & Ls out of money they have not got, Fislic has issued some $16bn of promissory notes. US Treasury officials testified that they regard these notes as obligations of the US Government. But Congress refuses to endorse this view, and the Treasury can borrow only with Congressional authority.

As a result, Fislic's notes can only be sold in the markets at an insulting high yield — the nearest thing you could find to a Federal junk bond. Fislic is prey to the same doubts which hamper the S & Ls, which have to pay over the odds to attract federally insured deposits.

You could hardly hope for a clearer illustration of the moral hazard which is involved in any kind of deposit insurance, as bankers constantly remind us. When the government's own agent get involved in this kind of mess, it is hardly surprising that the US economy is encumbered with high real interest rates — nor that foreign investors, who see the rates more clearly than they see the mess, tend to overvalue the dollar. All this is well understood on Capitol Hill, but Congress has its own troubles.

The central problem is simply this: any capital which it might vote to make an honest agency of Fislic would be charged against the Federal budget and, under the Gramm-Rudman law, this spending would trigger automatic cuts in other, vote-rich spending programmes.

This may make accounting sense, but it is economic nonsense. Any inflationary effect was achieved in the distant past, by guaranteeing the S & L deposits in the first place. Voting the money to honour the guarantees would simply ward off the slump which would result from a true S & L failure — a drastic solution which nobody recommends.

Such a vote might also remind Congress what is really involved in Federal guarantees: the duty of close supervision. This has never been forgotten by Mr Wall's counterpart of the banking side, Mr Bill Seidman of the Federal Deposit Insurance Corporation.

Seidman is one of those salty veterans who restore one's faith in the American system, and a notable wit too. He has fought the White House to establish the rule that deregulation should mean more supervision, not less, and has imposed the tightest rules on those who take the flightiest, wholesale deposits.

He is to retire in a few months — perhaps the saddest fact is this sad story.

Economics Notebook

A ceasefire in Berlin

FINANCIAL markets, governments and even journalists are turning their minds to the world economy ahead of this month's annual meeting of the International Monetary Fund.

So we should spare a thought for the senior officials of the Group of Seven nations who will spend this Thursday drafting a communiqué that must satisfy them all. Suitably amended (and no doubt sanitised) by the politicians, it will be released 10 days later by the G-7 finance ministers and central bankers on the eve of the IMF gathering in Berlin.

The official guidance already filtering out is that we should expect a decidely low-key affair. No-one wants any upsets before November's US presidential election.

So the message of the communiqué is clear: the policy co-ordination process is working.

The Seven will pat themselves on the back over the resilience of their economies in the aftermath of the stock markets' crash.

Assuming July's US trade figures contain no nasty surprises, they will argue that the longstanding improvement in underlying trade flows is being translated into a marked narrowing in nominal imbalances. The IMF's assessment that the US still faces a $135bn current account deficit in 1989 will be quietly brushed aside.

Some Governments, and it not hard to guess which, will also want a self-congratulatory reference to their timely action in heading off inflationary pressures with a measured tightening of monetary policy during the summer.

A signal that whoever wins the US election will be expected to underpin market confidence by pledging deep cuts in the US Budget deficit should complete the package — except for the obligatory paragraph on exchange rates.

This is where it may get tricky.

A softer dollar in recent weeks and a detailed US explanation of its policy stance has taken the edge of the friction which threatened an open split among the Seven during the summer.

Washington has explained privately that it is not seeking a high or rising dollar. Its concern is to preserve calm in the markets rather than to maintain a particular level for its currency. The overriding fear is that a sudden dollar fall — and that is still seen as a significant threat — might trigger a slide in the bond and equity markets before the election.

The explanation seems to have defused for the time being at least the irritation caused by Washington's failure last month to consult its partners before raising the discount rate.

The Bundesbank also seems content with its success in halting the D-mark's decline. It believes that economic fundamentals point to a significantly lower dollar, but it will not say so too loudly.

The problem for the G7 is how to summarise such understandings without giving the markets an excuse either to buy or sell the US currency.

The ministers are aware that the phrasing of their last communiqué, at June's Toronto summit, was seen as reflecting satisfaction with the dollar's steep rise since January. The result was a further unwanted appreciation.

Against that, they cannot risk giving the opposite signal — any official attempt to nudge down the US currency would risk triggering a free fall.

Watch for some tortuous language on September 24.

Looking for clues

The major preoccupation of Mr Nigel Lawson, the UK Chancellor, during his Berlin visit may well be on developments much closer to home. The trade figures for August will be published on September 27 and he should have them in his pocket when he flies out to the IMF meeting four days earlier.

It is widely acknowledged among insiders that another deficit in the £2bn range could be the trigger for base rates of 13 or 14 per cent.

In the meantime the message being shouted from the rooftops of Downing Street is that the Government will have no hesitation in dipping into its $50bn of reserves to forestall a fall in the value of the pound.

The Treasury's hope is that the threat will be enough to see off the speculators, but it also sees intervention as a way of "buying time". The official doctrine is that intervention can be most effective in two sets of circumstances — while governments are making up their minds what to do and while they are waiting to gauge the effect of actions already taken.

What Mr Lawson, like everyone else, is looking for is some sign that the ratcheting up of base rates from 7½ to 12 per cent has slowed the pace of borrowing and spending.

Today's retail sales figures and next week's money supply data will provide some guide. But the Treasury would like to wait at least for the trade figures before making a judgement on whether interest rates need to go still higher to dull Britain's appetite for imported cars and videos.

The first clue may come from whether Mr Lawson is smiling or frowning in Berlin.

Philip Stephens

THIS WEEK

WEDNESDAY'S US trade figures are likely to be the highlight of a series of statistics which could provide pointers to economic growth and inflation trends on both sides of the Atlantic.

A bigger than expected deficit could undermine the US dollar. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a deficit of $11.5bn for seasonally-adjusted merchandise trade in July, against $12.5bn in June.

Figures for US industrial production and retail sales in August are released on Thursday. Weaker than expected employment figures 10 days ago have prompted speculation of slower growth. The consensus is for industrial production to be unchanged and retail sales to increase by 0.3 per cent.

In the UK, analysts are likely to scan carefully today's release of August's producer prices indices for signs of rising cost pressures. The MMS International consensus is for no change in seasonally-adjusted input prices but a rise of 0.2 per cent in factory gate prices.

August's retail price index is released on Friday. The consensus suggests a big rise of 1 per cent as mortgage rate rises take effect, pushing the annual inflation rate to 5.6 per cent.

Provisional retail sales figures for August today will give a guide to the strength of consumer spending. The consensus is for a rise of 0.5 per cent after 2.4 per cent in July.

In Japan, three sets of statistics for August are released this week — merchandise trade figures today, the wholesale price index on Tuesday and preliminary money supply on Friday.

The trade figures are expected to confirm the rising trend of Japanese trade surpluses, the wholesale price index should remain stable and the money supply growth may show a significant decline from the annual 11.1 per cent in July, as the Bank of Japan has been tightening money market interest rates in the past few weeks.

A series of meetings of central bankers and Government officials from leading industrial nations take place this week in the run up to the International Monetary Fund meeting in West Berlin at the end of the month.

Central bankers meet at the Bank for International Settlements in Basle today and tomorrow. The meeting includes the first formal session of the European Community's study group on monetary union, chaired by Mr Jaques Delors, president of the EC.

Finance ministry officials from G-10 and G-7 countries meet in Paris on Wednesday and Thursday. On Friday the Franco-German economic and finance council meets in Frankfurt and European Community finance ministers begin an informal weekend meeting in Crete.

Other events and figures due for release this week (with the consensus of forecasts in brackets) include:

Tuesday US current account for three months to June.

Wednesday UK industrial production in July. (0.3 per cent fall). West German Bundesbank announces terms of the next round of security repurchase agreements with commercial banks.

Thursday UK unemployment (40,000 fall) and average earnings (8¼ per cent). Capital expenditure by manufacturing and service industries in three months to June.

Friday US capacity utilisation in August (83.4 per cent) and business inventories in July (0.5 per cent rise). UK public sector borrowing requirement in August (-£1.25bn).

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

TV group's facility pays off for banks

A SMALL financing signed earlier this year for a British television services company is yielding a significant spin-off for the banks involved.

The humble £60m multiple option facility for Carlton Communications was signed in April and carried a margin on drawings of 12½ basis points over London interbank offered rates (Libor).

On Friday, Carlton announced a $780m agreed takeover for Technicolor of the US and it also became clear that the firm which arranged the April financing – Credit Suisse First Boston – had put together the bank acquisition finance.

Not only that, but the five banks underwriting it – Barclays, Banque Nationale de Paris, Crédit Suisse, Midland and National Westminster – also comprised a large portion of the syndicate for the earlier deal.

Terms have not been disclosed for the financing, but it includes a £351m equity bridge loan which will be paid back by the proceeds from the company's rights issue – the largest underwritten issue in the UK since the crash. It also includes *$200m in five-year financing*, half in the form of a term loan and half as a revolving credit. A decision has yet to be made on whether the medium-term credits will be put into general syndication.

Borrowers from across the Atlantic are re-emerging. Chemical and Natwest are raising a $250m, five-year multiple option facility for Cyprus Minerals, a mining concern based in Denver.

Bank of America International is syndicating a $100m, five-year facility for Greyhound Financial Corporation, the Phoenix-based secured financing subsidiary of Greyhound Corporation. Front end fees range down from 12½ basis points for a $10m commitment.

Bramalea, the Canadian property developer majority owned by Trizec Corporation, is raising $100m in a seven-year term loan being arranged by CSFB. It carries a 32 basis point margin and front-end fees start at 15 basis points for $15m.

NatWest is increasing a £300m facility it raised a year ago for Queens Moat of the UK to £400m and on the same terms, which include a 10 basis point facility fee, 12½ basis point margin and 2½ basis point utilisation fee if more than half drawn. Chase is hopeful of an increase in its L300bn financing for Mediocredito Centrale, which was substantially oversubscribed, and a £200m facility, with a £100m committed portion, arranged by Barclays de Zoete Wedd for S & W Berisford of the UK was raised to £300m and £165m respectively.

Japanese banks and insurance companies are putting the finishing touches to a Y40bn financing for the Republic of Turkey. Carrying a 12-year maturity with 10½ years grace, the transaction is being led by 18 banks and insurance companies. Bank of Tokyo is the agent on the fixed-rate portion and, which pays 1.1 per cent over the Japanese long-term prime rate, which is fixed and then reviewed after five years. Mitsui Bank is agent on the floating rate part, which pays 1 per cent over LTPR.

Interbank of Turkey is raising $25m through a *multi-currency* two-part pre-export financing through First Chicago. The first part is for $10m with a 15-month maturity paying 1 percentage point over Libor, with a 40-50 basis point underwriting fee, and a second $15m portion with a 1¼ point margin and a longer 27-month maturity, and underwriting fee of between 1 per cent to 1.4 per cent.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	1,160.6	518.5	233.0	8,412.7
Prev	1,576.5	0.0	240.8	8,066.9
Other	894.5	39.5	808.7	1,741.7
Prev	2,806.7	1.3	573.7	939.9

Secondary Market

US$	10,721.6	956.7	3,506.7	5,420.3
Prev	11,761.7	1,040.9	5,804.6	5,427.9
Other	10,699.4	774.5	4,353.7	14,891.7
Prev	14,657.3	1,227.3	6,953.5	18,599.4

	Cedel	Euroclear	Total
US$	8,491.8	22,438.3	30,930.1
Prev	9,828.7	24,099.7	33,918.4
Other	15,770.9	18,422.8	34,193.7
Prev	22,311.2	23,107.9	45,419.1

Week to September 8, 1988

Source: AIBD

INTERNATIONAL BONDS

Interest rate swaps provide cheap cash mountain

SINCE THE collapse of world stock markets last year, cheap money has become increasingly accessible in huge amounts to the highest quality borrowers through the use of interest rate swaps.

Of course, there is nothing new about the use of swaps. They are a basic tool of finance that allows borrowers to exchange fixed-rate funds for obligations with rates that rise and fall with other interest rates.

But since the crash, dollar Eurobond investors have demanded larger issues and the best quality borrowers. This trend has made swaps into floating-rate funds an even cheaper source of new money.

In fact, the swap market has proved far more efficient than the moribund floating-rate note market, which makes it increasingly unlikely that the market will ever revive.

No deal illustrates more clearly what the swaps market has done for borrowers than last week's $400m two-part offering for the French mortgage finance agency, Crédit Foncier.

The financing consisted of two issues totalling $200m each, one for seven-year fixed rate funds, the other for 10-year floating-rate funds.

The fixed-rate tranche carried a coupon of 9¼ per cent and was priced at 100¾ to achieve a spread of 43 basis points over US Treasuries.

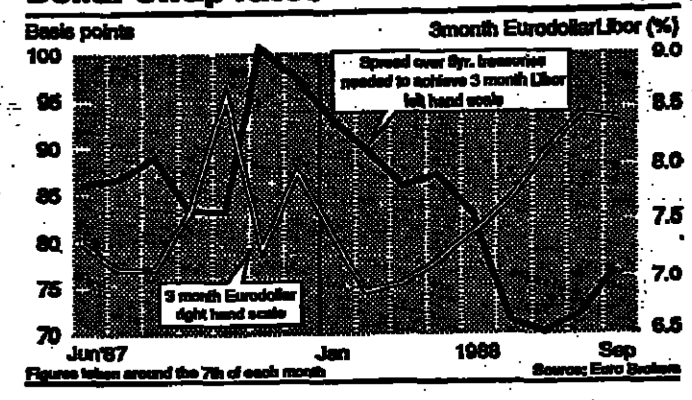
But the good news for the borrower was contained in the swap, which gave it a cost of funds of an estimated at 30 to 35 basis points under three-month London interbank offered rates. At last week's Libor rates, the cost of funds for the first three-month period would be about 8.05 per cent, far below the rate carried on the bond.

Crédit Foncier's other Eurobond, a $200m 10-year callable floating-rate note, paying 1/16 point under London interbank bid (Libid) rates, illustrated how the use of swaps has significantly reduced the need for borrowers to try to resuscitate the floating-rate note market.

The borrower opted for the floater because of the flexibility offered by the call option. But in fact, it is some 15 to 20 basis points more expensive than the rate achieved by the swap.

The sub-Libid funding on the floater would have been considered extremely aggressive even in the summer of 1986, the heyday of the floating-rate note market. Then, Belgium was able to issue a $400m floating-rate note paying 2 basis points under Libid, while an issue paying 10 basis points under *Libid for Denmark* flopped a few weeks later.

Dollar swap rates



Figures taken around the 7th of each month Source: Euro Brokers

"It is virtually impossible to get to the same level of interest rates using a floater than could be achieved with a swap," said Mr Andrew Pisker, manager of new issue syndication at Shearson Lehman Hutton which led Crédit Foncier's FRN.

The market in FRNs flourished because borrowers found that it was only investors in those securities who were willing to absorb the huge quantities of debt they needed to issue.

But the illiquidity that beset the Eurobond market last year in fixed-rate issues of all currencies has changed investors' views. Now, size is a plus and too few bonds can doom an issue to an untimely death.

This year, there have been several successful Eurobonds allowing borrowers to raise half a billion dollars at a single pop, with the funds instantly swappable into cheap, floating-rate money.

The spate of straight dollar Eurobonds brought to market over the past few weeks – and the roster of mandates assigned but not yet brought to fruition – shows the extent to which both underwriters *and* borrowers have become dependent on the use of swaps.

Certainly, the spread between rates charged on Eurobonds and those on US Treasuries has been kind to those seeking swaps over the past few months. The closer the two rates are to each other, the more leeway underwriters have to offer sub-Libor funding to borrowers, and spreads have been almost at historically narrow levels in recent weeks.

Spreads are starting to look particularly attractive for seven-year debt. Friday's $100m seven-year offering for Aetna Life and Casualty, priced to yield 50 basis points over Treasuries, would have given the borrower a rate of 25 basis points under Libor, if swapped. The issue carries a coupon of 9½ per cent and is priced at 101½.

Several other seven-year fixed-rate dollar Eurobonds are expected to be launched this week.

When the spread between the two markets widens, the swaps offer fewer advantages. After the release of US August employment data on September 2, spreads widened by about 17 basis points, enough to knock several planned issues off track.

Even now, spreads are about 7 basis points wider than they were *before the jobs* data were released and several borrowers are said to have shelved issuing plans.

But if the market for fixed/floating-rate dollar swaps has deepened, the reverse is true in many other currencies. The new Bank for International Settlements (BIS) rules require capital to be set aside for market and counterparty risks inherent in off-balance sheet transactions, raising the cost of currency swaps sharply. As a result, the markets in yen, mark and sterling swaps have become less liquid.

However, swaps of Ecu fixed-rate funds into floating rate funds are working well, partly because Ecu-denominated Italian government Treasury bills are available to compose the swap. Last week, four deals were launched totalling Ecu315m, three of them on Friday.

Rabobank Nederland issued a Ecu75m three-year deal with a 7⅝ per cent coupon priced at 101⅜ which lead manager Bankers Trust said traded inside its 1⅞ per cent fees.

But Copenhagen Telephone's Ecu75m five-year deal lagged despite its generous 8 per cent coupon. The issue was seen outside its 1⅞ per cent fees, at less two. Lead manager Deutsche Bank, pointing to the Danish Government's 54 per cent holding in the company, said it believed the pricing was appropriate.

Euromarkets Staff

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Howa Machinery†♦	50	1992	4	5½	100	Nomura Int.	5.500
Casio Computer†♦	200	1992	4	5	100	Daiwa Europe	5.000
Marubeni UK♦	100	1993	5	9⅝	101¾	Yamaichi Int.(Eur)	9.173
Furukawa Co.†♦	100	1992	4	5⅛	100	Yamaichi Int.(Eur)	5.125
Hydro-Quebec♦	150	1998	10	9¾	101½	CSFB	9.511
Marudai Foods†	100	1992	4	(5⅛)	100	Daiwa Europe	★
Eurofima♦	55	1990	2	9	101.05	Deutsche Bk Cap.Mkts	8.408
Credit Foncier♦	200	1995	7	9¼	100¾	Kleinwort Benson	9.100
Credit Foncier(g)‡♦	200	1998	10	-1/16	100	Shearson L'man Hutton	-
Flash Ltd. 'A'♦	33.34	1992	3½	(h)	101⅛	Sanwa Int.	-
Aetna Life & Casualty♦	100	1995	7	9½	101½	CSFB	9.200
CANADIAN DOLLARS							
Roy. Trustco M'gage Fin♦	75	1993	5	10⅞	101⅞	Shearson L'man Hutton	10.408
CIBC Singapore♦	75	1991	3	10⅞	101⅛	Wood Gundy	10.419
NEW ZEALAND DOLLARS							
Royal Trust Corp.★★‡♦	100	1991	3	(f)	100	Fay, Richwhite	-
D-MARKS							
Bqe Ext. d'Algerie♦	150	1993	5	7	100	DG Bank	7.000
Takiron Co.†♦	110	1993	5	1⅞	100	Bayerische Vereinsbk	1.875
NordLB (Luxembourg)♦	75	1993	5	6	101½	NordLB	5.647
Lufthansa Int. Fin.♦	300	1995	7	6¼	101	Deutsche Bank	6.070
Bond Finance (DM)♦	175	1993	5	6½	100¼	BHF-Bank	6.440
SWISS FRANCS							
Thesing Int.Fin. (a)	25	1993	-	(3½)	100	TDB Amex Bank	★
Takasago Thermal Eng★★§♦	60	1993	-	½	100	Nikko (Switz) Fin.	0.500
Toyama Chemical Co.★★†♦	100	1993	-	1⅝	100	Credit Suisse	1.625
Japan Air System★★§♦	100	1993	-	½	100	Swiss Volksbank	0.500
Apollo Electronics★★§♦	50	1993	-	½	100	UBS	0.500
Shin-Etsu Polymer★★§♦	50	1993	-	½	100	UBS	0.500
Kurimoto Ltd.★★§	200	1993	-	(½)	100	Credit Suisse	★
Kansai Electric Power♦	400	1994	-	4¾	100¾	UBS	4.594
Kansai Electric Power★★♦	200	1993	-	4⅝	100	UBS	4.625
Ned. Hardmetaal Fab.	30	1993	-	(5)	(100¼)	Warburg Soditic	★
Oberoest.Kraftwerke★★♦	80	1993	-	4⅝	100⅝	Wirtschafts-und P'bk	4.463
Coastal Corp. (c)♦	100	1993	-	5¾	100	Bqe Paribas (Suisse)	5.750
STERLING							
Taylor Woodrow♦	75	1993	5	11½	101⅞	Hambros Bank	11.127
FRENCH FRANCS							
Abbey National B.Soc.♦	800	1993	5	9⅛	101⅝	Credit Lyonnais	8.710
ECUs							
EEC♦	115	1992	4¼	7½	101¼	Banque Paribas	7.135
Rabobank Nederland♦	75	1991	3	7⅝	101⅜	Bankers Trust Int.	7.100
Akzo NV♦	50	1991	3	7⅝	101¼	Amro Bank	7.147
Copenhagen Telephone♦	75	1993	5	8	101⅞	Deutsche Bk Cap.Mkts	7.536
AUSTRIAN SCHILLINGS							
Austria (b)‡♦	5bn	2000	12	⅛	100	Girozentrale-Vienna	
YEN							
B.Naz.del Lavoro S'pore♦	7.3bn	1996	7½	5.3	101⅞	Nomura Int.	4.989
Oest. Laenderbank♦	5bn	1992	4	7	101⅜	Bankers Trust Int.	6.598
Toronto-Dominion Bk(d)♦	8bn	1992	4	7½	101⅜	Goldman Sachs Int.	7.093
Asian Dev. Bank (e)♦	30bn	1998	10	5½	100¼	Nomura Secs.	5.467
Sparekassen SDS★★♦	4bn	1992	4	6	101⅝	Nippon Credit Int.	7.515
ASLK-CGER IFICO♦	10bn	1995	4¼	5½	101⅝	LTCB Int.	5.069

★Not yet priced. ★★Private placement. ‡Floating rate note. †With equity warrants. §Convertible. ♦Final terms. a) With warrants if company goes public. b) ⅛ over Vienna offered rate. c) SFrs 100m maximum amount. d) Redemption linked to Nikkei stock index. e) Daimyo bond. f) Coupon linked to 90-day NZ bank bill rate. g) 1/16 under 6m Libid. Minimum coupon 6%. h) Coupon 9½% first 2 years 1 month then becomes FRN 6m Libor plus 22bp. Note: Yields are calculated on AIBD basis.

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New Issue — 18th May, 1988

RJR NABISCO

U.S. $100,000,000

RJR Nabisco, Inc.

8½ per cent. Notes due 1990

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

Shearson Lehman Hutton International	Credit Suisse First Boston Limited
Merrill Lynch International & Co.	J.P. Morgan Securities Ltd.
Julius Baer International Limited	Bank of America International Limited
Banque Bruxelles Lambert S.A.	Banque Paribas Capital Markets Limited
Barclays de Zoete Wedd Limited	Crédit Commercial de France
Crédit Lyonnais	Goldman Sachs International Corp.
Kidder, Peabody International Limited	The Nikko Securities Co., (Europe) Ltd.
Prudential-Bache Capital Funding	Westdeutsche Landesbank Girozentrale
Banca del Gottardo	BSI – Banca della Svizzera Italiana
Banque Internationale à Luxembourg S.A.	Compagnie de Banque et d'Investissements, CBI
Leu Securities Limited	Swiss Volksbank

Unigestion S.A.

This announcement appears as a matter of record only.

New Issue — 4th August, 1988

U.S. $100,000,000

Espirito Santo Financial Holding S.A.

6 per cent. Convertible Bonds due 2003

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited

Kredietbank International Group	Morgan Grenfell Securities Limited

Salomon Brothers International Limited

Bank Espirito Santo International Limited	RBC Dominion Securities Inc.
Crédit Lyonnais	Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft	Euromobiliare S.p.A.
Goldman Sachs International Corp.	Merrill Lynch International & Co.
Morgan Stanley International	Nomura International Limited
SBCI Swiss Bank Corporation Investment banking	Shearson Lehman Hutton International

This announcement appears as a matter of record only.

New Issue — 7th July, 1988

Can. $100,000,000

La Caisse centrale Desjardins du Québec

(Incorporated under the laws of the Province de Québec, Canada)

10½ per cent. Deposit Notes due 1993

Issue Price 101⅞ per cent.

Union Bank of Switzerland (Securities) Limited

Wood Gundy Inc.	Banque Bruxelles Lambert S.A.
Société Générale	Westdeutsche Landesbank Girozentrale
BNP Capital Markets Limited	Bankers Trust International Limited
Banque Générale du Luxembourg S.A.	Caisse Centrale des Banques Populaires
Crédit Lyonnais	DG BANK Deutsche Genossenschaftsbank
Dresdner Bank Aktiengesellschaft	Generale Bank
Genossenschaftliche Zentralbank AG Vienna	HandelsBank NatWest (Overseas) Limited
Kredietbank International Group	Landesbank Rheinland-Pfalz – Girozentrale –
Rabobank Nederland	RBC Dominion Securities Inc.
SBCI Swiss Bank Corporation Investment banking	ScotiaMcLeod Inc.
Swiss Volksbank	Yamaichi International (Europe) Limited

This announcement appears as a matter of record only.

New Issue — 15th July, 1988

Can. $150,000,000

Bell Canada

10⅝ per cent. Debentures, Series DY, due 1999

Issue Price 101¾ per cent.

Union Bank of Switzerland (Securities) Limited

Crédit Lyonnais	Dresdner Bank Aktiengesellschaft
Generale Bank	Hambros Bank Limited
Nomura International Limited	RBC Dominion Securities Inc.
Salomon Brothers International Limited	ScotiaMcLeod Inc.

Wood Gundy Inc.

UK GILTS

A period to keep one's head down

THE COMING weeks are not for faint hearts in the gilt-edged market. It is a three-week period to keep one's head low.

There is a general belief in the market that the authorities will want to wait and see if the economy has turned before they do anything, but it would be foolish to rule out a pre-emptive rise in base rates.

The authorities have shown their willingness to act ahead of expectations, and this and next week's data may just provide them another opportunity.

At the time of the last base rate rise the official line was that 12 per cent rates were around the level necessary to arrest the growth in consumption. It should be remembered that that was the same rationale used with the unexpected move from 10½ per cent to 11 per cent.

The reason for the move to 12 per cent was partly to do with shoring up the pound and partly to do with the fact that the authorities' were once again taken by surprise by the strength of consumption. Both are linked and it is unlikely that anything has changed materially.

The conventional wisdom is that we need to see a couple of months' economic releases before the effects of the recent interest rate rises on consumption can be evaluated. But this may not have the force it once had if there are signs of an acceleration in activity, a pick up in the core rate of inflation, or another awful set of trade figures.

Part of the previous rationale of the authorities was that they had to look at other indicators of sentiment before a hard judgment could be made.

There have been some straws in the wind in that the housing market is cooling, but equally some of these straws which suggest the target is moving, and moving in the wrong direction.

The most dramatic of these was the CBI-FT distributive trades survey. This indicated that August sales, for which figures are due out this morning, were strong and that retailers expected another strong month in September.

The weekly banking return is also leading some to conclude that there has been an uncomfortable and unwelcome acceleration in M0, the narrow money measure which includes mostly notes and coins in circulation, in the first week of September.

A nasty M0 figure for August is already in the market. Officials agree privately that the market's estimate of a 7.7 per cent annual growth rate is about right.

Mr Stephen Hannah, of County NatWest, suggests that figures for the first week of September do not bode well either: notes in circulation, which account for about 85 per cent of M0, were growing at an annual rate of 9 per cent, compared with the same period a year ago.

There are problems with looking at notes in circulation on a weekly basis because of unusual seasonal influences which may distort the observed growth rate. He claims there are no such distorting influences over the period he has looked at.

If this does in fact presage an acceleration in the growth of the monetary base, then the authorities might conclude that something sooner than later needs to be done on base rates.

Another worrying sign, according to Mr Hannah, is the consistent monthly rises in the "core" rate of retail prices inflation.

Stripping out the effects of mortgages, public authority prices, petrol and seasonal food prices, he estimates that the core rate has risen from 4.4 per cent in April to 4.9 per cent in July and could well rise to around 5.2 per cent by the end of the year until it begins to fall gradually.

This may be one of the reasons why the stock shortage argument for the market (buy now before it is too late) has just about lost all its force.

It was always the case that the market could not advance on technical factors alone; if the economic background was not propitious then the best the stock shortage argument could do was prevent selling.

That is not the case now. Institutions have been sellers and there is no good reason to buy until one can be reasonably certain that the market has turned.

Simon Holberton

US MONEY AND CREDITS

Trade figures could dampen market's optimism

BOND DEALERS report that thousands of retail and institutional investors are readying themselves to jump into the market from the sidelines as soon as the yield on the Treasury's *long bond* declines convincingly below 9 per cent.

Thus Friday's market action, which sent Treasury prices half a point upwards and reduced the long bond's yield to 8.98 per cent, could turn out to be a significantly bullish development. Whether it does or not will depend in the short run on Wednesday's US trade figures.

On anything longer than a *speculator's time scale*, however, the prospects of the current rally developing into a fully fledged bull market do not seem promising, regardless of what the trade figures have in store.

The main problem technically is that the market's psychology has moved so quickly towards over-optimism from the extreme pessimism which prevailed in July.

To make matters worse, the sea-change in attitudes has been motivated essentially by only one event – the publication of much weaker than expected August employment figures the Friday before last.

This technical problem is significant because it reflects a *much more fundamental* economic obstacle to a sustained advance in bond prices.

The economic picture presented by the August employment numbers was one of stability and moderate growth. But, given the amount of inflation already present in the US system, it could take something more drastic than a mere moderation of economic growth and stabilisation of unemployment, to justify long bond yields much below the current trading range of 8¾ to 9¼ per cent.

The recent broad-based indicators of inflation have after all been running at annual rates of 5½ to 6 per cent. This means that current bond yields of 9 per cent translate into real interest rates of only 3 or 3½ per cent.

For taxpaying US investors, the situation is a good deal worse: *real yields on Treasury* bonds at present rates of inflation are probably less than zero.

Admittedly, some analysts argued on Friday that buried within the 0.6 per cent rise in the producer price index for August, there was actually some better than expected news about inflation.

The August PPI looked ominous, when set against the 0.5 *per cent reported for* July and June's 0.4 per cent. But, while August's figure translated into an annualised wholesale inflation rate of around 7 per cent, nobody was jumping to such alarming conclusions.

Excluding a freakish, and almost certainly reversible, 2.2 per cent jump in energy prices and an 0.4 per cent advance in foods, producer prices increased by only 0.3 per cent.

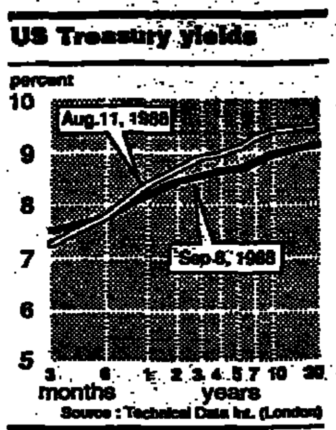
Putting the trends for the past several months together, most economists appeared to believe that the PPI numbers reflected the consensus expectation of an underlying wholesale inflation rate of 5 to 6 per cent.

Still, as Griggs & Santow, the Wall Street Fed watchers pointed out, it was hard to imagine "the Federal Open Market Committee sitting around and cheering the good *news that producer prices are* growing at only a 6 per cent pace."

But even if the Fed were satisfied with a 5 to 6 per cent rate of underlying inflation, the question is whether bond investors would be equally acquiescent.

With real yields in the 3 to 3.5 per cent range, bond prices are hardly in the bargain basement by historic standards. And US yields look even less compelling when compared with the 4, 5 or even 6 per cent real rates available in Germany, Japan, France and Britain.

US Treasury yields



Source: Technical Data Int. (London)

Furthermore, those superior returns are offered by countries with better records of fiscal management than Washington's and with considerably stronger long-run currency prospects, at least as indicated by their performances in international trade.

Therefore, *for* a long-term investor to take a serious plunge back into the US bonds, it seems necessary to believe not only that inflation has stopped accelerating, but that it is actually on the way down. A bull market in bonds would require a definite peak in prices, not simply a plateau, with 5 or 6 per cent inflation stretching as far ahead as the eye can see.

Yet to push inflation off this plateau the Fed would have to show far more ruthlessness than it has displayed since the beginning of the Reagan expansion.

Technically, it would probably have to manipulate a temporary inversion of the yield curve, with short-term interest rates rising above the yields on long-term bonds.

In terms of practical politics, the Fed would have to risk rising unemployment and even negative economic growth – in order to fight an inflation *rate which seems* to be causing no great discomfort to anyone outside the bond market. Would the Fed lead the economy into such an unpopular battle?

The prudent course is to remain agnostic, like the latest issue of the Bank Credit Analyst:

"The Fed appears prepared to contain the rise in inflation, but it is not clear whether it is willing to bring inflation back down. By allowing inflation to rise, the Fed has put itself in a position where it must risk an economic slowdown. There is a danger that even if the economy slows to 2 per cent, inflation may not stop rising for months."

In the 1960s and 1970s, the Fed's consistent practice was to "back off" as soon as tighter policies threatened recession, the Bank Credit Analyst reminds us.

And it was this willingness to buy growth at the expense of inflation which allowed the price spiral to continue and eventually brought the golden age of the 1960s crashing down in ruins.

Of course, everybody today is aware of this sad history. But does this mean that history will not be repeated?

With a more decisive anti-inflationary policy, the nine-year economic expansion during the golden age of the 1960s would have aborted much sooner. Yet it is precisely a repetition of the record-breaking growth of the 1960s that the US electorate and a large part of its financial markets now appear to expect.

Until the November election is over, the Fed is bound to humour the politicians, particularly in the Republican party, *who seem* to believe that Reaganomics has miraculously transformed recessions into a barbarous relic of the benighted past.

But what happens after November, when the central bank has to underwrite President Bush's fiscal plans, based *on the promise* of never-ending growth? And how will the Fed cope with the stockmarket's expectations of continuously rising corporate profits?

For the Fed, maintaining a monetary policy that was tight enough to strangle inflation would involve not only political opprobrium, but also huge financial risks – perhaps another stock market crash, possible bankruptcies on leveraged buyouts and further collapses in the housing market and the mortgage banking business.

Nobody could blame the Fed if it decided that 6 per cent inflation was not, after all, so very bad.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.99	8.15	7.95	8.19	6.27
Three-month Treasury bills	7.29	7.42	7.22	7.53	5.14
Six-month Treasury bills	7.42	7.66	7.82	8.04	5.74
Three-month prime CDs	8.28	8.37	8.50	8.51	6.77
30-day Commercial Paper	8.08	8.14	8.20	8.20	6.57
90-day Commercial Paper	8.18	8.36	8.30	8.40	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100⅜	+½	8.79	8.87	9.21
20-year Treasury	103⅝	+¾	8.97	9.02	9.45
30-year Treasury	101½	+¾	8.98	9.04	9.42
New 10-year "A" Financial	n/a	n/a	9.75	9.80	10.18
New "AA" Long utility	n/a	n/a	10.05	10.05	10.48
New "AA" Long industrial	n/a	n/a	9.95	10.00	10.43

Source: Salomon Bros (estimates).

Money supply: In the week ended August 29, M1 fell by $0.9bn to $782.6bn.

NRI TOKYO BOND INDEX

December 1983 = 100	17/9/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	143.10	4.99	142.41	144.06	142.97
Government Bonds	143.21	4.73	142.04	144.40	143.85
Municipal Bonds	144.74	5.28	144.44	145.98	144.43
Govt.-guaranteed Bonds	146.33	5.25	146.09	147.47	145.81
Bank Debentures	137.44	4.95	137.18	138.25	136.92
Corporate Bonds	144.11	5.98	143.89	144.16	142.28
Yen-denom. Foreign Bonds	147.46	6.34	147.27	145.19	142.61
Government 10-year†	–	5.33	5.40	5.63	4.88

(PERFORMANCE INDEX)

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

A.B.N. 8¾ 91	150	97⅞	–⅛	9.48
AETNA LIFE & CAS 7⅞ 16	300	94⅝	+⅛	8.89
ANFC O/S FIN. 11⅞ 94	100	101⅞	+⅛	11.29
A.I.D.C. 11 88	75	100⅜	+⅛	9.76
ALBERTA PROVINCE 7⅞ 91	750	98⅝	+⅛	8.47
ALCOA AUSTRALIA 11 92	50	101⅛	+⅛	10.57
AUSTRALIA 11⅞ 90	100	105⅜	+⅛	8.54
AUSTRALIA 11⅞ 00	100	105⅜	+⅛	8.97
AUSTRIA 7⅞ 97	200	99⅝	+⅛	8.45
AUSTRIA 8⅞ 00	250	99	+⅛	9.01
BANK OF TOKYO 8⅞ 96	100	96⅞	+⅛	9.04
[illegible]				

QUEENSLAND GOVT 11⅞ 96	100	101⅞	0	9.81
RALSTON PURINA 11⅞ 96	150	100	+⅛	10.64
REYNOLDS R.J. 10⅞ 99	100	100⅞	+⅛	9.88
RICHARDSON-VICKS 11⅞ 95	125	104⅝	+⅛	10.38
ROCKWELL INT 9⅞ 90	200	101⅞	+⅛	9.16
S.A.S. 10⅞ 95	150	101⅞	+⅛	9.70
SNCF 7⅞ 94	175	91⅞	+⅛	9.40
SASKATCHEWAN 7 91	125	95⅞	+⅛	9.38
SASKATCHEWAN 8⅞ 91	100	99⅞	+⅛	9.08
SASKATCHEWAN 11⅞ 90	100	102⅞	+⅛	9.00
SASKATCHEWAN 15 92	100	117⅞	+⅛	9.40
[illegible]				

SOUTHWEST AIRLINES 6¼ 98	35	77	+½	76.96
TEXACO CAPITAL 11¼ 94	500	105⅝	0	13.66

YEN STRAIGHTS	Issued	Bid Offer	Chg on week	Yield
ALLIED-SIGNAL 6¼ 92	20.0BN	104½	+¼	5.54
AVON CAPITAL 6¼ 91	26.0BN	102⅞	+¼	5.75
BARCLAYS O/S INV 6 96	40.0BN	102⅞	+⅜	5.64
B.F.C.E. 5¾ 96	20.0BN	101½	+¼	5.49
CANADIAN PACIFIC 6¾ 96	10.0BN	105⅝	+¼	5.78
[illegible]				

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
Closing prices on SEPTEMBER 9

Dumenil Leble about to sell Rivaud share stake

By George Graham in Paris

FOR THE second time this year, one of the financial holdings of Mr Carlo De Benedetti is about to declare peace and disengage itself from a many-tentacled holding company after failing to gain outright control.

Dumenil Leble, the French investment bank in which Mr De Benedetti is the principal shareholder with 25 per cent, is on the point of selling the 40 per cent stake it had built up in conjunction with Banque Stern in the Rivaud group, a labyrinth of companies born in the French colonies of Indo-china and West Africa.

Where Société Générale de Belgique, the conglomerate over which Mr De Benedetti struggled unsuccessfully with France's Suez group, involved the pillars of the Belgian business establishment, Rivaud is controlled by a more inbred clan.

Count Jean Bonnin de Bonniniere de Beaumont, the 84-year-old honorary president of Rivaud, is the son-in-law of the group's founder. Count Edouard de Ribes, his 65-year-old son-in-law, succeeded him as president. Photographs of the two men generally show them in tweed plus fours with a dead duck in one hand and a twelve bore shotgun in the other.

They appear, for the moment, to have seen off the assault from Dumenil and Stern, which sought to unravel the web of cross holdings linking the Rivaud empire, from Compagnie du Cambodge or Compagnie des Caoutchoucs de Padang, two rubber plantations companies, to Plantations des Terres Rouges, with its palm oil and almond plantations and Mines Kali Ste Therese.

The two raiders are in advanced talks on the sale of the 40 per cent stake they hold in Socfin, viewed by observers of the Rivaud group as a keystone of its construction, to Sasea, a Swiss holding company controlled by Italian interests, and they seem likely to emerge with a large capital gain.

Stern officials insist that the assault, which they initiated at the start of 1987, was never intended to secure control of Rivaud, but was viewed as a financial operation. They note that tales of the struggle with Mr de Beaumont and Mr de Ribes have helped stock market speculation – Rivaud has seven subsidiaries quoted on the Paris stock exchange – and thus increased the value of their stake.

Other Paris financiers, however, say that the personal animosity between the Rivaud clan on one side and Mr Jean Peyrelevade, then chairman of Stern, and Mr Jacques Letertre of Dumenil on the other had prevented an earlier and more profitable solution.

Rivaud's escape may be short-lived, however. Analysts in Paris speculated that Sasea, which indirectly controls Cannon Films, would seek to exchange its stake in Socfin for the 52 per cent stake in Pathe Cinema held by various tentacles of the Rivaud group.

Eastern Air starts layoffs

EASTERN Air Lines of the US has begun laying off thousands of workers despite a union-led legal challenge to its sweeping cost-cutting programme, Reuter reports from Miami.

The airline's previously announced plans call for elimination of 4,000 jobs, representing more than 10 per cent of its employees.

Some 2,600 employees will be laid off. The remainder of the jobs will be lost through attrition, early retirement and other steps.

Eastern, a subsidiary of Texas Air, has said the cuts are crucial to the survival of the Miami-based airline, which has lost more than $1bn over the past decade.

The airline said most of the affected workers would be laid off over the weekend, with the rest by September 19.

Trade union leaders claim that Texas Air is trying to dismantle Eastern and transfer its assets to Continental Airlines, a non-union Texas Air subsidiary, in an effort to break Eastern's unions.

Eastern announced its plans in July to eliminate 4,000 jobs, cut 10 per cent of its daily flights and halt service to 14 cities.

Court hearings on union challenges to the plans are scheduled to resume at the end of the month.

Lord Geller cuts jobs after IBM loss

LORD GELLER, Federico, Einstein, a subsidiary of Britain's WPP Group advertising conglomerate, yesterday announced it had cut its 270-member staff by nearly 100 following last week's decision by International Business Machines to withdraw its $120m account, writes our New York Staff.

The company suffered a haemorrhage of its best talent in March when six of its top executive walked out to set up their own advertising agency.

They were joined by about 40 other employees.

At its peak, Lord Geller's annual billings had been about $230m, with more than half of that total coming from the IBM account.

News of the job cuts came as a surprise to some industry analysts who had expected that Lord Geller would decide to merge with J. Walter Thompson, also owned by WPP. They said yesterday's announcement seemed to signal Lord Geller's intention to stay an independent agency.

IBM's relationship with Lord Geller began in 1979 when the agency produced the computer company's first corporate image campaign.

Ford and Nissan plan joint venture

FORD AND Nissan, the second largest US and Japanese automotive groups, are expected to announce next week a $700m joint venture for the manufacture in the US of front-wheel-drive minivans, AP-DJ reports.

The two companies are also to announce the building of an assembly plant at Avon Lake, near Cleveland, Ohio.

The transaction is expected to be similar to the current arrangement between Ford and Mazda of Japan for Mazda's car-assembly plant at Flat Rock, Michigan.

Mazda, 25 per cent owned by Ford, owns and operates the plant and makes its sporty MX6 compact there. It also makes a similar car for Ford, the Probe coupé.

The new minivans, like the MX6 and the Probe, are likely to have different exterior styling for the Ford and Nissan versions, but will be essentially the same.

Nissan already has one wholly-owned US plant in Tennessee, making compact cars and pickup trucks.

Analysts said the transaction would limit the risk for both companies, as individually they might have had trouble selling the entire production capacity of one minivan plant.

Ford already has a minivan – the Aerostar – but it is a rear-wheel-drive vehicle.

Ohio state is expected to provide a $20m aid package, mostly for infrastructure improvements. The plant, which will open in 1991, could create about 1,300 jobs.

Next week's expected announcement follows almost a year of negotiations.

The deal will give Nissan a stronger foothold in the US minivan sector, one of the strongest growing segments of the US vehicle market.

In the first eight months of this year, the company has sold about 8,000 small vans in the US.

For Ford, the deal will mark its third significant alliance with a foreign automotive group. It is allied with West Germany's Volkswagen in South America, where the two companies have merged operations, in addition to its various joint activities with Mazda.

Seeking closer links in futures

Dominique Jackson reports on last week's options pilgrimage

Top officials of the world's futures and options exchanges made their ninth annual pilgrimage to the spectacular resort of Bürgenstock above Lake Lucerne last week, at the invitation of the Swiss Commodities, Futures and Options Association to discuss the perspectives for their industry.

Despite the bucolic charm and traditionally relaxed atmosphere of the meeting, it was clear this year's discussions had a far more urgent tenor than those of previous gatherings which were characterised by upbeat reports of financial innovation and continued breakneck growth.

Shortly after last year's meeting, the world's equity markets crashed, sending a tremor through the international financial community and particularly the derivatives markets, effectively bringing to a halt more than a decade of euphoric expansion and throwing into relief many of the industry's problems.

These included the inevitability of further automation, proliferation of markets and products and increased international regulation which up until then had been mere secondary considerations.

Closer co-operation was the *leitmotif* which emerged from this year's forum, and this took in not merely co-operation on products and systems, but closer contact between the industry and the regulators in a bid to reach a level of mutual confidence which has so far proved elusive.

Mr Ferdinand Prisi, Swiss Commodities, Futures, Options Association chairman, acknowledged that last October's crash had dealt the industry a severe blow.

Along with the underlying cash markets, the derivatives markets were jolted by the subsequent loss of investor confidence.

The industry's image was further tarnished by uncertainties as to whether its role was accepted as beneficial – in that the markets had provided a guarantee mechanism – or whether sophisticated operations by futures traders, mainly in the US, accelerated and exacerbated the speed of the crash.

The debacle of the Hong Kong Futures Exchange and stories of huge individual losses by private investors in the London-based options market were among the factors to reinforce the latter impression.

However, although lip service was paid to the ideal of closer co-operation, there was little consensus on how best to achieve it, while the battle lines between various markets, particularly the myriad, competing US exchanges, was still very much in evidence.

Technology has made the 24-hour market as much a reality for the futures and options industry as for the securities markets which underlie it. It has effectively dispensed with the need for particular contracts to be traded in the centres where trading in the underlying instrument originated.

Yet until now, most attempts to forge links between international exchanges dealing in the same or similar contracts have foundered miserably.

Mr Lou Guttman, newly-appointed chairman of the New York Mercantile Exchange, conceded that its link with the International Petroleum Exchange in London was not cost-effective. but added that Nymex would continue to study the feasibility of other link-ups.

The persistent lack of success of such links is attributed to various factors. At the most fundamental level, they are hampered by the fact that the most obvious requisites, such as uniform trade-matching systems, are not yet in place and by the awesome initial expense of introducing the technology.

This is compounded by an almost wistful allegiance to the traditional open outcry of the futures trading pit. Clearing costs and duplicate transaction fees can also be a deterrent, although most delegates agreed that the most serious obstacle was meeting the regulatory requirements set by the exchanges in question.

Frustration at this inability to forge a successful exchange network has been compounded by recent news of a joint venture between financial information vendors, Reuters, and the Chicago Mercantile Exchange.

The project called Globex, due to be launched next summer, is a 24-hour electronic dealing system which will enable trade in CME currency and Eurodollar futures and options on futures after the CME's regular trading hours.

The scheme has been criticised for its exclusivity, although both parties reiterated that Globex would be opened for use by other industry players.

Several delegates opted to reserve judgment on Globex until the system was working, but the project has certainly ruffled several senior industry forces.It prompted one contributor to a Bürgenstock debate to speculate whether the distinguished panel 10 years hence would comprise solely of representatives from the information vendors.

Whether Globex will galvanise the exchanges into taking more concrete steps to retaining firm control of their industry is not yet apparent.

In this respect, one other major factor must be taken into account – the spectre of increased international regulation of financial markets.

The futures and options industry has traditionally enjoyed healthy relations with the regulatory authorities. Indeed, one of the very first meetings of regulators from around the world was held at Bürgenstock some years ago and several representatives from international regulatory bodies were present this year.

However, the events of last October seem to have quashed hopes that the industry will succeed with its lobbying for self-regulation as the most efficient and least costly solution to the problems of imposing a set of rules for the many different exchanges, each with such peculiar characteristics.

Commerzbank reveals index fund details

By Haig Simonian in Frankfurt

COMMERZBANK, the large West German bank, has released more details of the CB German Index Fund, the first index fund in German equities, which was foreshadowed earlier this month.

The Luxembourg based-fund is designed for international institutional investors which want to buy into the German equity market but are unwilling to select and track individual equities.

Index funds have become increasingly popular in recent years, and now account for some 10 per cent of all institutional investments in equities in the US and about 2.5 per cent in the UK, according to Mr Dietrich-Kurt Frowein, a member of Commerzbank's managing board.

"My house is especially proud to be the first German bank to be able to offer such an investment instrument," he said.

However, these funds are forbidden in Germany, explaining why Commerzbank's open-ended fund is to be based in Luxembourg, where it will be administered by a special subsidiary of the bank, CB German Index Fund Management Company.

The new fund is designed to track the existing Commerzbank equity index of 60 leading shares as closely as possible. However, statistical sampling techniques have allowed the number of shares in the fund to be reduced to 36. The number of constituents may change, but is likely to remain between 30 and 40 shares, said the bank.

Institutions will have to invest a minimum DM1m ($540,500) in the fund, which will represent some 85 per cent of the market capitalisation of the shares included in the existing Commerzbank index. Dividend payments from the fund will be made twice a year.

The bank clearly sees Middle and Far East investors as its prime targets, and preliminary soundings have revealed considerable interest so far.

However, Commerzbank also believes there may be interest from private clients, despite the high initial investment

UK COMPANY NEWS

IISE group to take 53% stake in newsagents chain

By Nikki Tait

"INVESTING IN Success" Equities, the UK investment trust currently run by Sydney-based investment company Panfida, is to buy out almost half of News International's 33.3 per cent stake in the Martin chain of newsagents, which has around 900 outlets throughout the UK.

At the same time, IISE is planning to merge with Panfida via a share-swop offer and list on both the UK and Australian exchanges. Coupled with existing holdings, the purchase from News will give the enlarged IISE group a controlling 53 per cent interest in Martin.

News International, headed by Mr Rupert Murdoch, is selling its remaining 18.6 per cent of Martin to Ormsby Limited, a private company representing an individual shareholder. Ormsby, which also already holds shares in Martin, will then own the remaining 47 per cent of the newsagents chain.

Martin was put up for sale by Guinness last year, and finally acquired by an Australian consortium, led by Panfida, for £202m in September 1987. News International was a member of that consortium.

To finance the acquisition, only £60m was raised in equity - the remainder in debt - so News International's involvement cost it £20m. It is selling the 14.6 per cent stake to IISE for £9.4m, and the interest to Ormsby on a pro rata basis.

The merger between IISE and Panfida is designed to create "a stronger and more appropriately structured company", according to the two boards. Panfida, which is itself listed in Australia, won a bid for IISE in early-1987, retained a 29.1 per cent stake and took over management of the company. However, IISE is the larger vehicle with net assets of over £55m.

Under the merger terms, IISE will offer one new share for every five Panfida, and A$0.12 in cash for each Panfida listed option. This values the Australian company at around £18m.

Assuming the deal goes through, IISE will abandon its investment trust status.

Meanwhile, in the eight months to end-April Panfida says that Martin made an operating profit before exceptionals, interest and tax of £10.2m. Sales were £198.4m. Yesterday, however, Mr Ken Vere Nicholl, a Panfida director, said that after the exceptionals and finance charges, the company would show a loss.

Sun Life link-up talks with UAP at completion

By Richard Waters

SUN LIFE, the London-based insurance company, expects this week to announce the completion of negotiations for a link with French insurer Union des Assurances de Paris, marking the first step in its plan to develop a spread of similar international associations.

The expected announcement will follow several months of intensive negotiation since Mr Peter Grant, Sun Life's chairman, announced that talks were underway at the start of the year. Sun Life had hoped to announce a deal to coincide with the announcement of its annual results in May.

A senior Sun Life director, who yesterday confirmed the imminence of an announcement about a link with a European insurance company, would not confirm that it involved UAP.

However, it is believed that the UAP talks are well ahead of those with other European firms. Mr Grant indicated earlier this year that he was also in discussion with Toro Assicurazioni, a Turin-based company controlled by the Agnelli family.

Sun Life's stated plan is to arrange minority cross-shareholdings with a number of other companies in Europe, the US (where it has talked to Equitable Life, the third-largest US life insurer) and the Far East.

The first part of this involves forming links with European insurance companies in the run up to the creation by 1992 of a single European financial services market.

A deal with UAP, France's largest insurance group, would also help Sun Life in its battle to fend off Mr Donald Gordon, whose South African company Liberty Life indirectly holds 26 per cent

Provided it could win shareholder support, Sun Life would issue new shares to UAP, thus watering down the Liberty Life stake.

Maxwell may increase Macmillan bid

By Nikki Tait

MR ROBERT Maxwell, the UK publisher, has offered to increase his bid for Macmillan, the US publishing group, to $84 a share, subject to certain conditions. The current offer is $80 per share, valuing the company at $2.35bn (£1.38bn).

The suggested increase comes in a letter sent by Mr Maxwell to Mr Edward Evans, Macmillan's chairman, late on Friday. In the letter, Mr Maxwell says: "I am notifying you that we are prepared to increase our offer up to $84 subject to receiving a clear understanding of which members of senior management will be staying and which will be leaving if the bid is accepted."

The letter adds that if Macmillan has a "financed binding alternative proposal which will generate a greater present value for shareholders" the Maxwell Communication Corporation will withdraw its bid.

Mr Maxwell has also made clear that he would raise an alternative offer of $1.1bn for a group of Macmillan companies (mainly business information companies) to $1.4bn. However, a letter sent to Mr Evans on Thursday suggests that the initial offer met an unwelcome response.

"I was surprised and disappointed when at our meeting today you indicated that you were only prepared to sell some $400m to $750m of (these) assets in order to assist you in financing a management leveraged buyout," write Mr Maxwell.

MCC's original tender offer expires today but is expected to be extended.

More O'Ferrall buys US advertiser for $6m

By Fiona Thompson

MORE O'FERRALL, outdoor advertising group, has acquired Coast-United, a Californian outdoor bench advertising company, for $5.5m (£3.24m). An additional consideration of $500,000 in cash will be payable should Coast-United's pre-tax profits in any one of the next five years be $2m or more.

Coast-United manufactures benches for local authorities free of charge and sited at bus stops. In return, the company is granted a permit to sell the advertising space on the bench panels.

Thos Walker higher

Continued expansion has seen pre-tax profit of Thomas Walker rise by 57 per cent in the year ended June 30 1988, from £329,000 to £516,000.

Turnover of the group, maker of metal smallwares for the clothing industry, rose 20 per cent to £3.49m (£2.91m).

Earnings per 5p share were up from 3.57p to 5.59p and the final dividend is 1.3p for a total of 1.475p (1.125p).

An uneasy status quo at Barker

Nikki Tait on the company's prospects of remaining independent

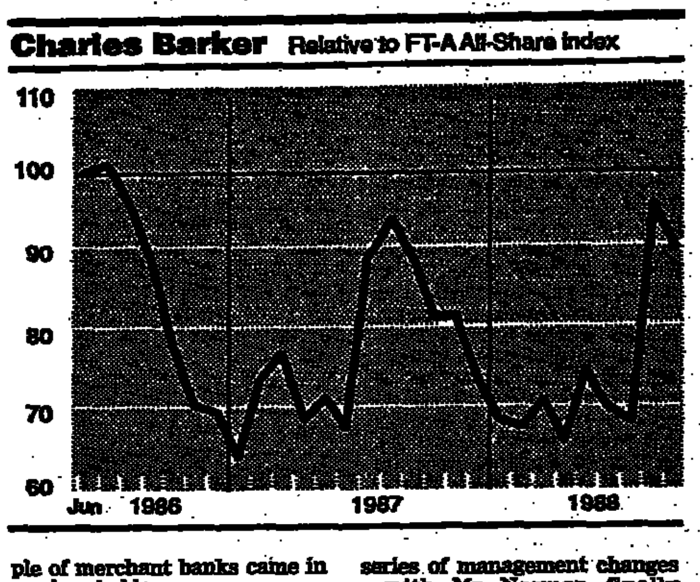
AFTER ALMOST six weeks at the altar, Charles Barker - the troubled public relations, advertising and recruitment company - finally waved farewell to prospective groom, WPP Group, last week. But is it now headed for a life of independence ?

In a gossipy industry, the rumours come thick and fast, and everyone has a vested interest to promote. But there seems little doubt that others have been sniffing. Shandwick, the acquisitive public relations consultancy, is understood to have cast another eye over parts of the business — partly at the internal situation after this prolonged uncertainty.

Analysts, on the other hand, are more inclined to favour Saatchi & Saatchi, pointing to the attractive fit, but dubious about the sort of exit price Britain's biggest advertising group might wish to offer. And even WPP probably retains some interest in the parts of Barker which attracted it in the first place - namely the regional advertising agencies, recruitment and public relations operations.

The Barker share price, it should be said, is carefully hedging its bets. True, the shares, which reached 178p when the bid discussions were first announced - talk was of an offer at 180p a share - fell back to 133p, before a late Friday flurry took them 5p higher. But if forecasts around the £4.8m-£4.9m pre-tax mark for 1988 are correct, they still stand on an 11 to 12 times multiple - a premium to the sector.

Most observers agree that the situation at Barker looks inherently unstable. The company's origins wing, rather romantically, back to 1812 when James Lawson, the printer of The Times, joined forces with 21-year-old Charles Barker to produce a newsletter which was then distributed to regional publishers. The Barker family itself bowed out in the middle of the current century, when clients at a couple of merchant banks came in as shareholders.



But this illustrious past has led to a less settled present. The company arrived on the stock market in mid-1986 with a £30m price-tag. At that stage, it comprised four divisions: a mix of consumer advertising, regional agencies and financial advertising; public relations; recruitment services; and some below-the-line operations.

At the time of the float, Barker also acquired Norman Broadbent International, a firm of of executive headhunters, using its newly-quoted paper to fund the deal. NBI's founder, the abrasive Etonian David Norman, became a non-executive director of Barker.

Since then, very little has really gone right - at least in the City's eyes. The shares badly underperformed post-float, with the market's sticky patch, spill-over effects from rival Lopex's disappointing launch, and Barker's diverse nature variously blamed. The consumer advertising business, morevoer, struggled in 1986 and profits only managed to rise to £3.43m (£2.62m) thanks to NBI's first time contribution of £1.09m.

This less than auspicious start was then followed by a series of management changes - with Mr Norman finally becoming chairman and chief executive in December 1987. By the end of that year, none of the directors who saw Barker to the stock market remained on the board in an executive capacity.

Resulting surgery, meanwhile, was swift. The below-the-line businesses, the US investor relations operation and consumer ad agency Owen Wade Delmonte all went. The net result was exceptional costs of almost £1m - and a 26 per cent sag in profits to £2.55m. Consumer agency Ayer Barker is also being slowly distanced. A deal agreed last week allows control to pass to US agency, N W Ayer, in 1990. N W Ayer, which owns 12.5 per cent of Barker, also has a pre-emptive right to buy out Barker's stake in Ayer Barker if control of Barker changes.

More recently, the terms of the original NBI deal have brought new controversy. Although Barker bought 100 per cent of NBI, 50 per cent of the company's profits before tax and bonuses, are allocated to a bonus pool for NBI employees. (Fairly enough, the price to Barker based on 11 times earnings NBI after the bonus pool allocations).

However, since then further expansion into the US recruitment market has been handled specifically through NBI, while Mr Norman has continued to share these benefits despite his elevation. Not all shareholders, particularly certain ex-staff members, have been happy.

Mr Norman defends this chunky incentivisaton — "these are highly motivated people" - and points out that "the most significant contributor to Charles Barker has been the human resources side". But, as one analyst notes, NBI's profits scarcely show up the rest of the group in a flattering light. And, whatever the justification, perceived inequities can do little to create corporate harmony.

Handling of the WPP talks hardly seems to have helped matters. For a start, there has been prolonged and all-too-public uncertainty. Moreover, when the end came, Mr Norman attributed the breakdown to the decline in the WPP share price.

But there have been other accounts. It was no secret that WPP did not wish to take on Norman Broadbent International, and the market has speculated that an NBI buyout was part of the overall deal, with British & Commonwealth (a 12 per cent shareholder in Barker) possibly underwriting the price. This rival account goes on to suggest that failure hinged on the inability amongst all NBI board members to agree a buyout price

So where now ? Mr Norman's public line is that the annual report statement - pre-eminence in advertising, public relations and human resources - is still the aim. But, in the words of one observer, "When characters have assumed these positions, it is very difficult to present the company as an all-singing, all-dancing cohesive group". Whether anyone tries to cash on these misfortunes remains to be seen; certainly, the current status quo looks uneasy.

Speciality Shops puts quote in its sights

By Maggie Urry

THE GROWING vogue for "up-market" shopping centres – typified in the UK by the Covent Garden Flower Market – persuaded Mr David Houghton and Mr Stephen Jaffe, who ran Mount Provincial Developments, a subsidiary of Abaco Investments, the property group, to set up Speciality Shops in 1985.

It brought in investors, started trading in 1986 and now has three centres open – in Bristol, Maidstone and Cheltenham – and plans to open two more – in Leeds and Liverpool – one each in 1989 and 1990. And the enthusiasm for the idea has just attracted £15m through a private placing of equity and loan stock.

Via a complex series of deals, including a management buy-out and the merger of Speciality Shops and Mount Provinical, Speciality Shops has extricated itself from Abaco, although that company, now part of British and Commonwealth, is still a shareholder.

Messrs Houghton and Jaffe, joint managing directors of Speciality Shops, plan to bring the company to the stock market in a couple of years time, either through a flotation or a reverse takeover.

Both Houghton and Jaffe stress that the group is no mere property developer, but takes an active role in managing the centres, ensuring the right mix of tenants, offering advice on retailing techniques to the many new traders, and laying on entertainment such as live music.

The plan is that the centre becomes a focal point attracting shoppers who like the "pleasant surroundings", cleanliness – no dogs are allowed – and safety – Speciality Shops does not tolerate any "nonsense". The shops, Mr Jaffe says, fit into the "philosophy of selling good quality products with a personal service."

The attraction for tenants is that a unit in a centre is usually cheaper to rent than a high street site, and there is the guarantee of customer traffic. Each centre has food on offer, so many customers stay for some time.

A good mix of shops includes members of chains such as Hatchards, the book sellers, and Jaeger, the clothing chain, and a variety of small groups, perhaps with only one outlet, specialising in a narrow product range, or even selling what they produce, such as jewellery.

Mr Houghton claims to have had no difficulties in turning out unsuccessful tenants, nor of filling any gaps. Unlike many property companies, he says, he welcomes a degree of change in the shops since shoppers like the variety.

TR Trustees postpones agm

TR Trustees Corporation has postponed the annual meeting planned for September 29 because of the Post Office dispute. Therefore the directors have decided to substitute a second interim dividend of 1.3p for the final. There will be no further dividends for the year to May 31.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Dukeminster (Section: Property).

Eurocopy (Electricals).

Hampson Inds. 6.5p Net Cum. Conv. Red. Pref. 1991-03 (Engineering).

Lincat Group (Industrials).

Optim Group (Electricals).

RIT Capital Partners (Ord. & 2½% Conv. shs.) (Investment Trusts).

Rentaminster (Third Market).

Sallmann Barrington Laurance (UK) (Property).

Seafield (Industrials).

Waterglade Intl. Pref. shs. (Property).

S Daniels in the red but confident on second half

PRICE DEFLATION, currency volatility, intense competition and an exceptional charge in the grocery division have combined to send S. Daniels into a £327,000 pre-tax loss for the first half of 1988, a turnround of £798,000.

However, the directors of this food and beverage products importer said the group's performance could be expected to improve during the second half and beyond. They are maintaining the interim dividend at 1.25p.

They also announced the proposed acquisition of the Kluman & Balter Group for a maximum of £3.5m, with £1.7m cash being paid on completion.

In the first half, Daniels' turnover fell to £16.76m (£19.88m) and the operating loss came to £219,000 (profit £402,000).

Second Alliance

The Second Alliance Trust saw its net asset value recover to 971.7p at July 31 against 903.4p at the end of January. But that was still lower than the 1152.3p of a year earlier.

Earnings per ordinary share unit for the year to the end of July were 23.42p (22.3p). The directors are paying a second interim of 16p (final 14p) in lieu of the usual final because of fears that the effect of postal disruption may make a delay in the payment date necessary. The total dividend for the year is 23p (21p).

FINANCIAL TIMES STOCK INDICES

	Sep. 9	Sep. 8	Sep. 7	Sep. 6	Sep. 5	Sep. 2	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	86.60	86.62	86.79	86.83	86.58	86.28	91.43	86.28	127.4	49.18
Fixed Interest	95.77	95.87	95.93	95.74	95.67	95.62	98.67	94.14	105.4	50.53
Ordinary	1398.5	1402.4	1419.5	1426.0	1420.5	1405.9	1514.7	1349.0	1926.2	49.4
Gold Mines	183.8	183.5	182.3	184.1	186.9	191.4	312.5	182.3	734.7	43.5
FT-Act All Share	901.25	903.65	913.28	918.62	915.69	906.74	978.58	870.19	1238.57	61.92
FT-SE 100	1738.4	1739.8	1756.1	1768.0	1764.5	1746.9	1879.3	1694.5	2443.4	986.9

Retail park side boosts Citygrove

REFLECTING continued substantial progress in the retail park division, property developer Citygrove lifted its turnover from £13.3m to £29.2m and pre-tax profit from £751,000 to £2.28m in the half year ended May 31 1988.

After tax and the initial dividend on preference shares placed in January, basic earnings were 14.66p (7.24p) and fully diluted 11.12p. The interim dividend is lifted by 1p to 2.5p.

Mr David Woolf, chairman, said the outlook for the core businesses operating in niche areas of property development - retail parks, leisure and roadside - continued to be promising and demand remained strong.

He was also expecting the new joint ventures in shopping schemes to be important contributors to the group's overall success.

In retail parks the group had started construction on 500,000 sq ft of new premises. In addition, pre-lettings were substantially in place and construction was programmed to commence on a further 20 sites totalling 2m sq ft over the 15 months to the end of November 1989.

The roadside division had secured or agreed terms on sites suitable for petrol station or roadside restaurant use in over 40 locations. The leisure side was programmed to start on the Citydome in Watford before the end of the year, and had secured two more sites suitable for leisure development.

Oceana doubled

Oceana Consolidated Company, investment company, reported pre-tax profits more than doubled from £220,000 from £479,000 in the year to the end of March 1988.

Earnings per share were 5.28p (2.34p) and the single final dividend payment has been increased to 1.25p (1.1p).

Zurich ready to demolish the doubters

Philip Coggan previews the latest arrival to the unlisted securities market

THE PROPERTY sector has as yet shown few signs of being affected either by last year's stock market crash or by the City's current pessimism over British economic prospects.

This week, the fast-growing property sector of the Unlisted Securities Market will gain another recruit when dealings start in the shares of Zurich Group, the development company. Zurich will also shortly make a dramatic alphabetical leap, via a change of name to Associated Holdings.

After several false starts, Zurich has gained a quotation via the acquisition of Ecobric Holdings, the demolition company. With a capitalisation of around £68m, it will immediately become one of the largest companies on the unlisted market.

Zurich's origins date back to 1983 when two accountants, Mr Martin Robinson and Mr Malcolm Wright, formed a private company Thamesdale Properties to convert a pumping station on the river at Richmond into flats and a wine bar.

The following year a further private company, King Street Securities, was formed which worked on developments at Wapping and at Rochester, a site which was then passed on to the Rosehaugh Group.

The various property interests were then bundled together into the Zurich Group in 1986, a name chosen partly for its aura of solidity and partly because a group of Swiss investors had been the main financial backers.

It was not long afterwards that Zurich started to think of a quote. And because of Mr Wright's acquaintance with Mr Robert Noonan of Marler Estates, Ecobric quickly came to Zurich's attention.

Ecobric had joined the USM back in 1982 but problems in its foundry subsidiary moved the company into losses the following year. Another year of losses necessitated a rescue package, and the arrival of Mr Ronnie Aitken, a well-known "company doctor" as chairman.

However, Ecobric's continuing decline was symbolically illustrated when it failed, on television, to blow up a block *of flats at Ronan Point in east* London. In 1986, another financial restructuring was planned and Mr Michael Eaton, best known for his role as spokesman for the National Coal Board during the miners' strike, was brought in as chief

Martin Robinson: cautious development philosophy

executive.

When the planned rights issue fell through because of legal problems, Marler stepped in as saviour, taking 64 per cent of the Ecobric equity as part of a £3m refinancing package.

The original plan was for Zurich to be injected into Ecobric via a reverse takeover. However last October's stock market crash disrupted the original deal and made its structure look unwieldy. "If we had continued with a reverse takeover, we would have been left with a huge goodwill element and a big bill for stamp duty" explains Mr Robinson, the finance director.

Instead, after much negotiation with the Stock Exchange, Zurich decided to buy Ecobric, rather than the other way round. The deal was accompanied by a placing to rise £4.5m for the new group. Marler ends up with 6.7 per cent stake and another major shareholder, with 17.7 per cent, is Mr Andrew Millar, the former chairman of Benlox Holdings.

Ecobric had been forecasting a £900,000 profit but after Zurich went through the figures, that profit was quickly revised into a £150,000 loss. "They couldn't cost their contracts adequately" said Mr Robinson.

The problem on many demolition contracts is that the company is required to buy the land and everything on it. Thus, demolition groups have to calculate in advance how much they can get for the vacant site, how much the debris will be worth, as well as how much it will cost to knock the building down.

However, the corollary is that demolition throws up some interesting property development possibilities and that is one of Ecobric's main attractions to Zurich.

Zurich describes its development philosophy as "cautious". "We like to buy land, improve it and then bring in an outside partner" says Mr Robinson. That approach reduces the risk to Zurich, as does its policy of restricting its borrowings. Gearing is currently running at around 15 per cent and Zurich believes it could "ride through" a recession.

Until now, most of Zurich's development projects have been residential but Messrs Wright and Robinson want to be flexible enough to move into office, commercial or industrial developments wherever the opportunities arise.

Profits have increased from £124,000 in the year to April 31, 1985 to £4.06m last year and Zurich is forecasting profits for £6m for the nine months to January 31, its new year end.

Many have doubts about how long the recent property boom will last, but Zurich says that if only some of its current discussions come to fruition, it will have at least two years of development work. By that time, and renamed as Associated, the group hopes to have moved to the main market.

Triangle Trust reduces loss in first half

Triangle Trust, formerly Sharna Ware, reduced its interim loss for the first half of 1988 to £31,000, against £257,994 last time. In 1987 the Manchester-based toy maker made a profit of £268,000.

All of the present loss was incurred on continuing activities, against £51,000 in 1987's first half. Turnover fell to £2.8m (£4.14m) and after a tax credit of £11,000 (£54,000), earnings per 20p share came out at 0.29p (4.71p).

Directors have again decided to pass the interim but intend to maintain the final at last year's 1p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ASD, Andaman Resources, British Vita, Canning (W.), Delta, Goal Petroleum, Hyman, Kerry Group, Lilleshall, M.Y. Hldgs., Norfolk Capital, North Sea & General, Rugby Group, Sutar, Sutherland Hldgs, Travis & Arnold, Willis Faber.

Finals- Cons. Gold Fields, Dalgety, Magnetic Materials, Merivale Moore.

FUTURE DATES

Interims-	
Avis Europe	Oct. 12
Brixton Estate	Sept.29
Cussins Property	Sept.20
DRG	Sept.14
Davis (Godfrey)	Sept.20
Martin Currie Pac. Tst.	Sept.22
Newarthill	Sept.22
Proudfoot (Alexander)	Sept.21
RMC	Sept.22
Renown Inc.	Sept.19
Tesco	Sept.28
Triefus	Sept.15
United Plant. Africa	Sept.13
Finals-	
Ind. Fin. & Inv.	Sept.19
Interlink Express	Sept.13
Kwahu	Sept.13
Prospective Group	Oct. 3
Tennant Properties	Sept.19
Thorpe (F.W.)	Sept.28
Waterman Partnership	Sept.22

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

International Trusts					
Amer Spec Sits	5	63.01	63.01	67.10	1.92
European Growth	5	17.77	17.77xd	18.92	1.32
International	5	90.24	90.24xd	96.10	1.03
Japan	5	138.0	138.0	146.9	0.01
Pacific	5	217.6	217.6	231.7	0.30
Secs of America	5	181.1	181.1	192.8	1.13
W'wide Asset Val	5	26.74	26.74xd	28.47	1.05
Specialist Trusts					
Asset Value	5	302.7	304.7	324.4	3.07
Conv & Gilt	5	35.81	36.44xd	38.80	6.39
Smaller Co's	5	160.5	160.5	170.9	2.06
2nd Smaller Co's	5	180.4	180.4xd	192.1	2.04
Recovery	5	94.85	94.85	101.0	2.85
Met Min & C'dty	5	103.5	103.5	110.2	1.37
O'seas Earnings	5	198.6	198.6	211.5	1.31
Technology	5	85.26	85.26	90.80	1.60
UK Special Sits	5	240.1	240.1xd	255.7	2.83

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5	£15.20	£15.47	16.33	2.70
Progressive Acc	5	£21.33	£21.72	22.92	2.70
International Inc	5	£15.75	£15.75xd	16.62	2.00
International Acc	5	£19.84	£19.84	21.94	2.00
Can & Foreign Inc	5	187.1	187.1	197.5	2.34
Can & Foreign Acc	5	208.5	208.5	220.1	2.34
Special Sits Inc	5	158.2	158.2	167.0	2.06
Special Sits Acc	5	158.2	158.2	167.0	2.06

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½	171.5	182.6	194.2	1.61
Brewin Dividend	5½	92.20	96.73	102.9	6.07
Brewin Int Gth Inc	5½	198.9	208.9	222.2	3.69

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Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

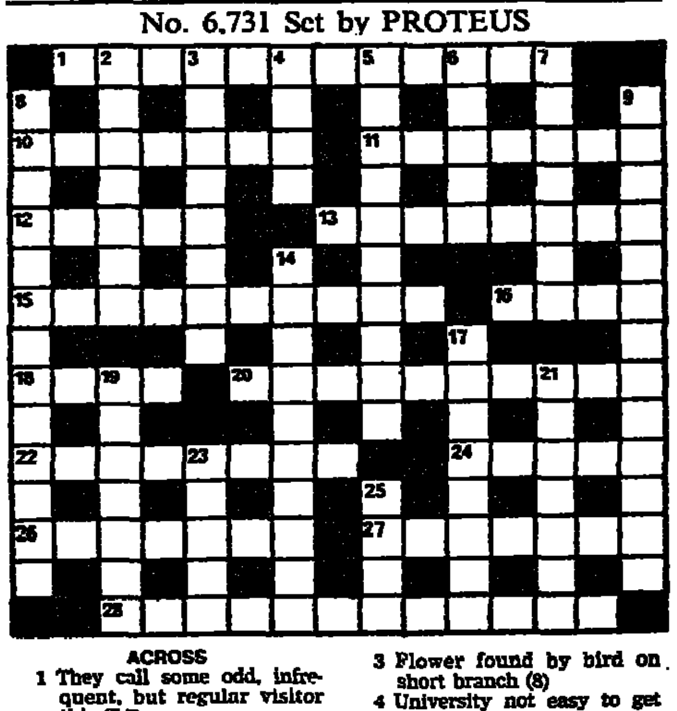
FT 30	FTSE 100	WALL STREET
Sep. 1388/1397 -9	Sep. 1727/1737 -5	Sep. 2040/2052 -13
Dec. 1405/1414 -9	Dec. 1748/1758 -5	Dec. 2057/2069 -14

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,731 Set by PROTEUS



ACROSS

1 They call some odd, infrequent, but regular visitor this (7,5)
10 *Subsequently a leader* starting from side-shoot (7)
11 Tell about alien visitor on island (7)
12 Chain of gargantuan description (5)
13 Belief in church furnishing (8)
15 Men cried up for lack of forethought? (10)
16 Athlete's stuff (4)
18 Taking a tenth part of entrance money (4)
20 Dramatic effect of a deception on people (10)
22 Implicit quality of public individual (8)
24 In plainer terms "sluggish" (5)
26 Openings for atoms to be split by military body (7)
27 Bird with drink trouble (7)
28 Courage shown by starter using cap-remover (6,6)

DOWN

2 Behaved in unruly manner and played to the gods? (5,2)
3 Flower found by bird on short branch (8)
4 University not easy to get into (4)
5 Shrank from agreement with journalist (10)
6 Way colour becomes muddied (5)
7 Shoe found in coach (7)
8 Work of removal firm's financial centre? (8,5)
9 Decision to show resolution (13)
14 Conveyance taking everyone to the west, though intended to prevent it (6,4)
17 Show forbearance (8)
19 Article on body odour doctor sees as threat to society (3,4)
21 Repeat part of waiter at Edinburgh (7)
23 Plot exposed in pamphlet (5)
25 About as far as we can see (2,2)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 24.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	Yield Gross	City-line
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd.	379.8	399.9	–	43248
Eb'r Ph. Eq.	344.2	366.6	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc.	162.6	171.1	–	43250
International Acc.	139.2	146.5	–	43251
Property Acc.	147.2	154.9	–	43252
Fixed Interest Acc.	153.9	161.9	–	43253
Money Acc.	143.7	151.2	–	43254
Bldg. Soc. Link Acc.	140.5	147.8	–	43255
Special Mngd Acc.0	149.3	157.1	–	43256
Phoenix/Framlington				
Intnl Growth Acc.	87.10	91.60	–	43257
Am. Smllr Cos. Acc.	87.40	91.90	–	43258
Capital Tst. Acc	170.1	179.0	–	43259
Japan & Gen Acc.	189.1	199.0	–	43260
American Turn. Acc.	95.70	100.7	–	43261
Recovery Tst. Acc.	173.6	182.7	–	43262
Special Mngd Acc.	146.1	153.7	–	43263
Phoenix/GT				
International Acc.	131.3	138.2	–	43264
US & General Acc.	87.10	91.60	–	43265
Amer Spec Sits Acc.	65.50	68.90	–	43266
Japan & General Acc.	190.7	200.7	–	43267
Far East & Gen. Acc.	136.4	143.5	–	43268
UK Capital Acc.	168.8	177.6	–	43269
European Acc.	140.6	148.0	–	43270
Special Mngd. Acc.	125.2	131.7	–	43271
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd. N Waterloo, Liverpool 051-928 6655				
Managed Fund	258.6	272.3	–	43272
Man Pens Inc & Cap Fds.	327.1	344.4	–	43273
Money Fund	114.0	120.0	–	43274
Pens. Mngd Fd (Init)	86.4	91.0	–	43275
Pens Mngd Fd (Acc)	100.1	105.4	–	43276
Pens FT30 Fd (Init)	123.1	129.6	–	43277
Pens FT30 Fd (Acc)	142.6	150.2	–	43278
Pens O'seas MgFd(Init)	58.6	61.7	–	43279
Pens O'seas MgFd(Acc)	67.9	71.5	–	43280
Pens Fxd Int Fd (Init)	101.6	107.0	–	43281
Pens Fxd Int Fd (Acc)	117.7	123.9	–	43282
Pens Deposit Fd (Init)	101.7	107.1	–	43283
Pens Deposit Fd (Acc)	117.9	124.2	–	43284
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	100.0	106.0	–	43285
Building Soc. Fd	163.0	172.0	–	43286
Balanced	240.0	253.0	–	43287
Deposit	163.0	172.0	–	43288
European	126.0	133.0	–	43289
GT Managed	147.0	155.0	–	43290
Gartmore Mngd	101.0	107.0	–	43291
German	91.0	96.0	–	43292
Gilt	162.0	171.0	–	43293
High Inc.	107.0	113.0	–	43294
International Equity	153.0	162.0	–	43295
Japan	216.0	228.0	–	43296
Managed	54.0	57.0	–	43297
Property	265.0	279.0	–	43298
R. W. Imperial Gold	126.0	133.0	–	43299
UK Equity	312.0	329.0	–	43300
Pension Funds				
American	134.0	142.0	–	43301
Building Soc. Fd	156.0	165.0	–	43302
Balanced	185.0	195.0	–	43303
Deposit	153.0	162.0	–	43304
European	124.0	131.0	–	43305
GT Managed	157.0	166.0	–	43306
Gartmore Mngd	98.0	104.0	–	43307
German	87.0	92.0	–	43308
Gilt	138.0	146.0	–	43309
International Equity	117.0	124.0	–	43310
Japan	127.0	134.0	–	43311
Managed	56.0	58.0	–	43312
Property	203.0	214.0	–	43313
UK Equity	271.0	286.0	–	43314
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Balanced Gwth Mngd	504.2	531.3	–	43315
Adventurous Mngd	98.7	104.1	–	–
Secure Mngd	97.0	102.3	–	–
Cash Fd	219.8	231.7	–	43316
Property Fund	266.4	280.8	–	43317
Equity Fund	548.4	577.9	–	43318
Fxd. Int. Fund	280.4	295.5	–	43319
International	247.5	260.9	–	43320
High Income	392.6	413.7	–	43321
Far East	363.6	383.2	–	43322
North American	215.5	227.1	–	43323
Special Sits	495.4	522.1	–	43324
Technology	218.0	229.8	–	43325
Extra Inc Fd	228.7	241.0	–	43326

	Bid Price	Offer Price	Yield Gross	City-line
Provident Mutual Life Assc. Assn.				
William Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	280.3	295.1	–	43484
Managed Init	231.0	243.2	–	43485
Equity Ord	388.2	408.6	–	43486
Equity Init	320.0	336.8	–	43487
Index Linked Gilt Ord	121.2	127.6	–	43488
Index Linked Gilt Init	104.3	109.8	–	43489
Overseas Equity Ord	253.2	266.5	–	43490
Overseas Equity Init	208.7	219.7	–	43491
Property Ord	172.2	181.3	–	43492
Property Init	142.0	149.5	–	43493
Fixed Interest Ord	167.5	176.3	–	43494
Fixed Interest Init	138.1	145.4	–	43495
Deposit Ord	135.7	142.8	–	43496
Deposit Init	111.9	117.8	–	43497
Pension Funds				
Managed Ord	337.4	355.2	–	43498
Managed Init	278.1	292.7	–	43499
Equity Ord	484.0	509.5	–	43500
Equity Init	399.0	420.0	–	43501
Pen Ind Lkd Gilt Ord	130.6	137.5	–	43502
Pen Ind Lkd Gilt Init	112.5	118.4	–	43503
Overseas Equity Ord	286.4	301.5	–	43504
Overseas Equity Init	236.1	248.5	–	43505
Property Ord	201.8	212.4	–	43506
Property Init	166.3	175.1	–	43507
Fixed Interest Ord	190.0	200.0	–	43508
Fixed Interest Init	156.6	164.8	–	43509
Deposit Ord	169.5	178.4	–	43510
Deposit Init	139.7	147.1	–	43511
For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd				
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Sept 7	204.0	212.6	–	43612
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Holborn Series I Life Funds				
Managed	431.6	454.4	–	–
Equity	855.8	900.9	–	–
Fixed Interest	368.4	387.8	–	–
Property	353.1	371.7	–	–
Cash	245.4	258.4	–	–
International	299.8	315.6	–	–
Holborn Series II Life Funds				
Managed	423.7	446.0	–	43513
Equity	838.6	882.8	–	43514
International	293.3	309.8	–	43515
Fixed Intl	359.7	378.7	–	43516
Property	344.9	363.1	–	43517
Cash	239.9	252.6	–	43518
Pacific Basin	168.2	177.1	–	43519
North American	120.6	127.0	–	43520
European	126.0	132.7	–	43521
Holborn Balanced Gwth	99.2	104.5	–	43522
Holborn Strategic Gwth	98.3	103.5	–	43523
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	459.8	484.0	–	43524
Equity	643.6	677.5	–	43525
Global Equity	191.5	201.6	–	43526
Fixed Interest	375.9	395.7	–	43527
Property	343.3	361.4	–	43528
Cash	143.7	151.3	–	43529
Index Linked Gilt	166.6	175.4	–	43530
Guaranteed	11.43	12.18	–	43531
International Money	187.3	197.2	–	43532
North American	54.5	57.4	–	43533
Japanese	119.9	126.3	–	43534
European	69.8	73.5	–	43535
Special Situations	95.1	100.2	–	43536
Communications	78.8	83.0	–	43537
Smaller Companies	93.0	97.9	–	43538
International Small Cos	106.6	112.3	–	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary Sept 7	£126.76	130.46	–	43539
Equity Sept 7	£140.46	140.63	–	43540
International Sept 7	£20.13	20.77	–	43541
Intl Bond Sept 7	£10.51	10.65	–	43542
Fixed Int Sept 7	£68.18	69.08	–	43543
Index Linked Sept 7	£53.10	53.76	–	43544
Property Sept 7	£92.28	97.65	–	43545
Cash Sept 7	£19.0713	19.0713	–	43546
Pru-Linked Retirement Plan				
Managed Sept 7	315.6	328.8	–	43547
Cash Sept 7	180.0	187.5	–	43548
Prudential Pensions Investment Account				
Pens Mngd Sept 9	127.11	133.8	–	43549
Pens UK Eq Sept 9	230.5	242.6	–	43550
Pens Intl Sept 9	146.2	153.9	–	43551
Pens Fixed Sept 9	155.7	163.9	–	43552
Pens Index Lk Sept 9	132.0	139.0	–	43553

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Amount £m	Stock	Price £	Yld. Int.	Last xd	Interest Due	City-line
400	Funding 5½pc '87–91‡‡	[illegible]	[illegible]	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	86¼	8.90	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	98⅝	10.53	6.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	100⅞	10.66	21.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92¾	10.64	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	108	10.56	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	98⅜	10.50	15.7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	92⅝xd	10.49	6.9	13Oct 13Apr	1337
1,288	Treas 10¼pc Cv 1992‡‡	99⅛	10.52	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	82¾	8.64	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	105⅞	10.59	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	109¼xd	10.60	16.8	22Mar 22Sep	1266
950	Treas 8¾pc 1993	92⅞	10.49	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	98⅞xd	10.44	8.9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	107⅛	10.50	7.6	14Jan 14Jul	1296

Five to Fifteen Years

Amount £m	Stock	Price £	Yld. Int.	Last xd	Interest Due	City-line
600	Funding 6pc 1993‡‡	88⅛xd	8.98	9.8	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	112⅞	10.57	18.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	91⅝	10.46	27.6	3Aug 3Feb	–
750	Tr 8½pc 1994 'A' (£6% pd)	41⅝	10.49	–	3Feb 3Aug	–
600	Treas 14½pc 1994‡‡	116¾	10.49	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	111⅝	10.64	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	98½	10.34	3.5	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	108⅞	10.60	18.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	94⅜	10.28	11.4	17May 17Nov	1345
2,350	Treas 12pc 1995	106⅜	10.55	20.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	81	6.58	25.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	99⅞	10.39	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	111⅝	10.42	8.4	15May 15Nov	1298
900	Treas. 14pc '96	117¼	10.55	15.6	22Jul 22Jan	1305
750	Treas.9pc 1992–96‡‡	94⅛xd	10.19	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	124½	10.52	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	114⅝	10.43	8.4	15Nov 15May	1268
1,109	Conversion 10pc 1996.	98⅞	10.32	8.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	115¼	10.39	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	101⅛	10.32	15.7	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	92⅞	10.14	26.7	1Mar 1Sep	1341
1,000	Exch 15pc 1997	125¼	10.55	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	97⅞	10.25	13.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	81⅝	9.71	25.3	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	131xd	10.44	24.8	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	110⅞	10.39	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	96¼	10.01	8.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	112¼xd	10.33	22.8	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	101¾	10.22	12.4	19Mar 19May	1288
1,548	Conversion 10¼pc 1999.	100⅜	10.21	15.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	90¼	9.95	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	93⅞	9.98	28.7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	118⅛	10.32	7.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	99⅛	10.04	20.7	26Aug 26Feb	1280
1,250	Treas. 14pc '98–01	121	10.51	15.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	98⅛	10.02	4.7	10Feb 10Aug	1248
1,600	Exch. 12pc '99–02	110⅞	10.34	15.6	22Jul 22Jan	1261
716	Conversion 10pc 2002	100¾xd	9.98	5.9	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	98⅞	9.95	21.7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	93⅞	9.88	12.4	19May 19Nov	1272
1,800	Treas. 13¾pc 2000–03	122⅞	10.37	20.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	100⅝	9.89	2.8	8Mar 8Sep	1281

Over Fifteen Years

Amount £m	Stock	Price £	Yld. Int.	Last xd	Interest Due	City-line
1,900	Treas. 11½pc 2001–04	109¾xd	10.16	15.8	19Sep 19Mar	1290
900	Treas. 10pc 2004	101¾	9.81	11.4	18Nov 18May	1282
443	Funding 3½pc '99–04	57⅞	8.46	7.6	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	97⅞	9.73	21.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	98⅞	9.71	14.3	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	106⅛xd	9.72	15.8	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	119¾	9.96	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002–06‡‡	86⅛xd	9.60	1.9	5Apr 5Oct	1334
369	Conversion 9¾pc 2006	100⅝	9.66	8.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003–07	113⅝	9.94	15.6	22Jul 22Jan	1293
1,400	Treas 8½pc 2007‡‡	91⅛	9.50	9.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	128⅛xd	9.91	22.8	26Sep 26Mar	1301
1,800	Treas. 9pc 2008‡‡	95⅛xd	9.49	6.9	13Apr 13Oct	1343
1,000	Treas 8pc 2009	87⅛xd	9.41	19.8	25Mar 25Sep	1336
369	Conv 9pc Ln 2011‡‡	96⅛	9.38	6.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	64⅞xd	9.16	4.8	10Mar 10Sep	1330
700	Treas. 7¾pc 2012–15‡‡	84⅛	9.33	20.6	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	124⅞	9.42	6.5	12Jun 12Dec	1260

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

	Stock	Price	Div.	Yld			City-line
2,602.5	Sara Lee $1 1/3	24¼xd	$1.20	2.9	30.8	Oc Ja Ap Jly	3918
6,865.4	Southwestern Bell $1	22⅞	$2.48	6.4	5.7	Fb My Ag No	–
3,666.7	Sun Co. Inc. $1	34xd	$3.00	5.2	5.5	Mr Jn Se Dc	4135
1,465.8	TRW Inc. 62½c	24¼xd	$1.60	3.8	9.8	Ma Ju Se Dc	4318
575.9	TW Services $5	11¼	20c	1.1	11.11	Fe My Au No	–
4,089.8	Tenneco $5	27¾	$3.04	6.4	9.8	Mr Jn Se Dc	4194
6,496.3	Texaco $6.25	26¼	¶$3.00	6.6	4.8	Mr Je Se De	4200

Continued on next page

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Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Aitken Hume
30 City Road, EC1Y 2AY. 01-638 6070

Treasury Acc.	9.75	7.48	10.25	–
Mch Int Chq £1000-£5000	9.50	7.29	10.04	–
Mch Int Chq £5,000+	9.75	7.48	10.32	–

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN. 01-329 4500

2,000–9,999	11.401	8.750	12.055	–
£10,000+	11.726	9.000	12.411	–

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01 601 6746

Money Mkt Cheque Acc	10.60	8.13	11.26	–

Barclays Prime Account
PO Box 125, Northampton 0604 252891

High Int. Cheq. £2,500+	9.800	7.625	10.460	–

Benchmark Bank PLC Premier Account
9 Henrietta Place, W1M 9AG. 01-631 3313

£2,500-£10,000	11.00	8.44	11.49	–
£10,001-£20,000	11.25	8.63	11.75	–
£20,000+	11.75	9.02	12.30	–

Brown Shipley & Co Ltd
Founders Court, Lothbury, London EC2. 01-606 9833

Demand Acc	11.0	8.44	11.62	–

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 01-248 4000

Sterling	10.50	8.06	11.15	–
U.S. Dollar	7.00	5.37	7.34	–
German Mark	3.50	2.60	3.63	–
Swiss Franc	2.00	1.45	2.06	–
Japanese Yen	3.00	2.30	3.10	–

Citibank Savings
St Martins Hse, Hammersmith Grove W6 01-741 4941
Money Market Plus

£2,000-£24,999	9.00	7.26	9.99	–
£25,000	9.50	7.75	10.71	–

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

High Int Chq Acc	10.5	8.00	10.99	–

Co-operative Bank Top Tier
78-80 Cornhill EC3 01-626 6543

£1,000–£2,499	8.28	6.35	8.61	–
£2,500–£9,999	9.38	7.20	9.77	–
£10,000+	9.78	7.50	10.20	–

Dartington & Co Ltd
9 The Crescent, Plymouth PL1 3AB 0752 673873

Money Mkt Acc	10.50	8.06	11.09	–

Financial & General Bank plc
13 Lowndes Street, London, SW1X 9EX 01-235 0036

H.I.D.A. £5,000-£15,000	11.00	8.25	11.22	–
H.I.D.A. £15,000+	11.47	8.62	11.73	–

Gartmore Money Management Ltd
61 Queen St, London EC4R 1PH 01-236 1425

Money Mngt. Acct	9.875	7.58	10.40	–

Girobank plc High Interest Cheque Acc

[illegible]

Humberclyde Finance Group
Chalfey Ct, Winchester Rd, Basingstoke 0256 846833

£250-£2,500	10.00	7.68	10.46	–
£2,500+	12.00	9.21	12.59	–

Lloyds Bank High Interest Cheque Account
71 Lombard St, London EC3P 3BS 01-407 1000

£1,000+	8.00	6.10	8.36	–
£5,000+	8.50	6.50	8.93	–
£10,000+	9.00	7.20	9.92	–
£50,000+	9.50	7.70	10.64	–

M & G/Kleinwort Benson
M & G Hse., Victoria Rd, Chelmsford 0245 266266

H.I.C.A. (£2,500+)	10.25	7.87	10.88	–

Midland Bank plc
PO Box 2, Sheffield. 0742 528655

High Int Chq Acc	10.42	8.00	10.99	–
£10,000+	10.75	8.25	11.35	–

M.I.M. Britannia Ltd
11 Devonshire Square EC2M 4YR 01-626 3434

Cater Allen	10.25	7.87	10.88	–

NatWest Special Reserve Account
41 Lothbury, London, EC2P 2BP 01-726 1000

£10,000 and above	10.75	8.00	10.99	–
£2,000 to £9,999	10.25	7.75	10.64	–
£1,000–£1,999	8.75	6.50	8.88	–
£500–£999	6.75	5.00	6.79	–

Phillips & Drew Trust Ltd
120 Moorgate, London EC2M 6XP 01-628 9771

High Int. Chq Acc.	9.875	7.58	10.40	–

Provincial Bank PLC
30 Ashley Rd, Altrincham, Cheshire 061-928 9011

H.I.C.A. (£1,000+)	12.00	9.21	12.81	–

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201

Premium Account	10.00	7.67	7.9	–

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB. 0708 766966

H.I.B.A.	10.10	7.75	10.98	–

Tyndall & Co Ltd
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	10.50	8.05	11.05	–
Money Acc	10.58	8.12	10.83	–
Client Plus Acc	10.375	7.96	10.93	–

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	9.25	7.10	9.73	–
£10,000 and above	9.50	7.29	10.00	–

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141

High Int Chq Acc	11.31	8.68	11.94	–

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485

High Int Cheque Acc	11.50	8.83	12.16	–

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounding annual rate Int Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all [illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,278.0	Texas Instr. $1	23	72c	1.8	27.6	JAJO	—
5,159.9	Time Inc. $1	56½xd	$1.00	1.0	25.8	Mr Jn Se De	4234
1,561.1	Transamerica $1	20½xd	$1.84	5.3	29.5	Ja Ap Ju Oc	4289
525.4	TRINOVA Corp.	15⅜xd	64c	2.4	10.8	Mc Je Se De	4309
4,830.1	USX $1	16	$1.20	4.4	2.8	Mr Je Se De	4380
2,738.0	Utd. Technologies	20⅞xd	$1.60	4.5	24.8	Mr Jn Se Dc	4381
6,537.1	US West§	32⅝	$3.52	6.3	13.4	Fb My Ag No	—
5,159.4	Waste Management $1	22⅞xd	48c	1.2	17.5	Ap Jy Oc Jan	4439
1,012.5	Whirlpool $1	14⅝	$1.10	4.4	25.01	Mr Jn Se De	—
1,937.5	♦Woolworth $3½	29½	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	ABM Gold Corp ‖	196p	—	—	—	—	—
—	♦Abbot Energy Corp.	13½p	—	—	—	—	—
567.9	♦Amer. Barrick Res.	986p	—	—	—	—	—
—	American Lightwave	9¾p	—	—	—	—	—
—	♦Armeno	15p	—	—	—	—	—
—	Augmitto Expln.	47p	—	—	—	—	—
1,416.5	Bk. Montreal ‖	13⅝	$2.00	7.1	8.8	Fb My Ag Nv	—
1,147.8	Bk. Nova Scot. ‖	689p	76c	5.4	28.6	Ja Ap Ju Oc	—
4,795.6	BCE ‖	17⅛xd	$2.44	6.7	6.6	Ap Jy Oc Ja	—
265.5	♦Bow Valley ‖	641p	40c	3.0	15.12	May Nov.	—
823.2	♦Brascan ‖	12⅛	88c	3.5	28.10	Ja Ap Jy Oc	—
48.0	♦Breakwater Res	214p	10c	2.3	—	—	—
1,838.9	Can Imp Bank ‖	11⅛	$1.16	4.8	29.6	Fe My Au No	—
2,951.9	Can. Pacific ‖	974p	60c	3.0	28.6	July Jan.	—
18.9	Do. 4pc Deb £100	40½	4%	9.9	24.5	July Jan	2051
—	Central Capital "A" ‖	469p	—	—	—	—	—
—	♦Corona Corp.	434p	—	—	—	—	—
51.1	Cons. TVX Min.	315p	—	—	—	—	—
—	Danbus Res.	362p	—	—	—	—	—
—	Derlan Inds.	570p	11.75c	1.0	3.6	Mr Jn Se De	—
933.8	♦Echo Bay Mines	986p	$0.07	0.4	—	June Dec	—
—	Energex Minerals	15p	—	—	—	—	—
—	Euro-Asia Capital Ltd.	97p	—	—	—	—	—
85.0	♦Galactic Resources	285p	—	—	—	—	—
12.5	♦Geodome Res	94p	—	—	—	—	—
45.9	Granges Expln ‖	211p	—	—	—	—	—
—	♦Gt Pacific Res	8½p	—	—	—	—	—
—	♦Gulf Canada ‖	796p	52c	3.2	26.3	Ja Ap Jy Oc	—
86.6	♦Hawker Sid Can ‖	10⅞	$1.08	4.9	15.11	Ap Jy Oc Ja	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

3.08	Publishing Hldgs 5p. y	19	–	–	–	–	3735
2.52	Rentaminster 5p.... y	62	u1.0	2.2	–	–	5223
9.51	Royal Sovereign 10p. y	215	4.6	2.9	11.4	May Nov	1505
1.72	Scott Pickford 10p... y	24½	3.1	16.9	–	–	5062
7.01	Seacon Hldgs....... y	181	21.0	1.3	–	–	3968
1.43	Sonic Tape 2½p..... y	11½	0–	–	–	–	–
6.91	Stakis Hldgs. 5p.... y	25	–	–	–	–	4625
4.63	Swanyard Studios 1p y	3¼	–	–	–	–	4666
23.7	Takare............. y	271	b1.0	0.5	–	–	4647
14.9	Theme Holdings.... y	66	ϕ1.1	2.2	25.4	June Dec	4206
3.36	Tomorrows Leisure 20p y	30	–	–	–	–	4248
11.9	Tollow Oil 10p..... y	19	–	–	–	–	4886
4.43	UPL Group 10p..... y	118	t2.41	2.9	23.5	–	4362
6.98	Unit Group......... y	172	5.0	3.9	4.7	Jan July	4357
7.60	Video Tape Rec 5p. y	118	t2.3	2.8	9.5	–	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	70	......
Craig & Rose £1.. y	690	......
Finlay Pkg. 5p.... y	86	-2
Holt (Jos) 25p.... y	£11¾	......

IRISH

Nat. 9¾% 84/89..	£108	......
9pc Cap Ln. 1996..	£99¾	......
Fin. 13% 97/02..	£119¾	......
Arnotts.......... y	355	......
Carrol Inds....... y	156	-6
Grafton Grp....... y	125xd	......
Hall (R. & H.)......	162	-3
Helton Hldgs...... y	53xd	......
Irish Ropes....... y	163	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	38
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit. Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	26
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling finds it hard to break the oil link

By Colin Millham

OIL PRODUCTION is now a relatively small part of the total UK economy, and it may be assumed that sterling has become less vulnerable to fluctuations in the price of North Sea crude.

This does not appear to be true however, according to Mr Neil MacKinnon, senior economist at Chase Manhattan Securities.

Figures based on oil prices and the pound's exchange rate index have shown a remarkably strong correlation since March, with crude prices and sterling reaching a peak around April to May, before falling back.

The main question posed by this information is will the trend continue? Mr MacKinnon admits to be surprised that the two have remained linked together in this way, but he believes the prospects for both oil prices and the pound may not be too bright.

This is against the background of the need for Iran and Iraq to sell oil to repair war torn economies, while sterling is likely to remain a victim of a deteriorating trade position.

Trends in UK inflation will be highlighted by this week's batch of economic data, during a period which is likely to become increasingly testing for the pound.

If sterling successfully hurdles this week's news if will be faced with the higher fences of money supply and bank lending figures the following Tuesday, and the size of the August trade deficit on September 27.

Today's figures on retail sales should show some slowdown from the strong July rise of 2.4 p.c. The median forecast for August is for a rise of 0.5 p.c., according to MMS International.

James Capel thinks the rise will be as low as 0.2 p.c.; Warburg Securities expects 0.3 p.c.; Kleinwort Grieveson 0.5 p.c.; and County NatWest 0.7 p.c.

But Chase Manhattan Securities has revised up its estimate of retail sales growth to 1.4 p.c. and suggests that the consumer is showing immunity to higher interest rates. Chase believes retail sales will remain strong until the end of the year.

August producer prices are also due today, with the average forecast for unchanged seasonally adjusted input prices, and a rise of 0.2 p.c. in output prices.

Industrial production figures for July will reflect the loss of *oil production* caused by the Piper Alpha disaster. Overall production could be down 3 p.c. according to MMS, but the median forecast is for a fall of 0.3 p.c., compared with a fall of 0.9 p.c. in June.

Manufacturing production should rise however by about 1 to 2 p.c. according to City forecasts, but Warburg says this will *not provide guidance on* whether demand and output growth are moderating, because the figures are somewhat historical and irrelevant to this question.

Barclays de Zoete Wedd asks whether the UK trade mess is because of lack of industrial competitiveness or on account of over strong domestic demand. The answer is the latter, according to BZW, and the recent rise in interest rates should be sufficient to put a floor of DM3.13 under the pound.

News later in the week on UK inflation is likely to be mixed, *according to most forecasts.* Thursday's average earnings figure for July is widely expected to be unchanged at 8.5 p.c., but the August retail prices index on Friday is likely to rise at least 0.9 p.c. - with higher mortgage payments contributing 0.7 p.c. - to take year-on-year inflation up to 5.5 p.c. from 4.8 p.c.

£ IN NEW YORK

Sept.9	Close	Previous Close
£ Spot	1.6955-1.6965	1.7000-1.7010
1 month	0.46-0.44pm	0.47-0.45pm
3 months	1.55-1.53pm	1.55-1.52pm
12 months	5.10-5.00pm	5.02-4.92pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4592	+2.36	+1.04	±1.5344
Danish Krone	7.85212	7.96232	+1.40	+0.08	±1.5404
German D-Mark	2.05853	2.07143	+0.63	-0.69	±1.0981
French Franc	6.90403	7.04509	+2.04	+0.72	±1.3674
Dutch Guilder	2.31943	2.33761	+0.78	-0.54	±1.5012
Irish Punt	0.768411	0.772714	+0.56	-0.76	±1.6684

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.600	9.40	9.40	9.50	9.73	0.01	0.26	0.75	1.45
1.625	7.00	7.18	7.48	7.84	0.07	0.45	1.25	2.02
1.650	4.55	5.11	5.59	6.11	0.13	0.96	1.97	2.79
1.675	2.37	3.38	4.02	4.65	0.47	1.87	2.85	3.87
1.700	0.91	2.05	2.77	3.46	1.25	2.86	4.02	5.21
1.725	0.28	1.25	1.93	2.50	3.04	4.46	5.59	6.75
1.750	0.04	0.66	1.24	1.85	5.30	6.36	7.38	8.38

Previous day's open int: Calls 632,223 Puts 519,477

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Sep	Oct	Nov	Dec	Puts-settlements Sep	Oct	Nov	Dec
1.650	5.10	5.60	6.10	6.70	0.40	1.25	2.15	3.25
1.700	1.30	2.50	3.25	4.00	1.50	3.10	4.30	5.60
1.750	0.40	1.05	1.65	2.30	5.50	6.50	7.60	8.85
1.800	0.35	0.55	0.85	1.35	10.45	10.95	11.75	12.75
1.850	0.30	0.45	0.55	0.85	15.45	15.75	16.30	17.15
1.900	0.30	-	-	0.50	11.70	-	-	22.50
1.950	0.40	-	-	0.45	11.40	-	-	17.60

Estimated volume total, Calls N/A Puts N/A

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6970	1.6924	1.6815	1.6681	1.6465
D-mark	3.1400	3.1227	3.0853	3.0359	2.9465
French Fr.	10.678	10.674	10.667	10.658	10.644
Swiss Fr.	2.6500	2.6324	2.5946	2.5450	2.4525
Yen	226.75	225.55	222.75	218.90	212.10

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Little change in world rates

APART FROM the domestic scene in the UK - with the approaching large batch of economic news - the future direction of interest rates will depend on events in Europe the US and Japan.

Europe is unlikely to provide much guidance. West Germany *seems determined to pursue a* steady course on interest rates, following the D-Mark's recovery against the dollar.

The present situation in the EMS also points to no early change in German rates. France would like to reduce rates, but can hardly do so when the D-Mark is at record levels against the franc.

This leaves Japan and the US, and on balance rates in Tokyo and New York are unlikely to move very much.

Japan has no domestic reason to increase rates. Inflation is very low, despite strong growth, and the yen appears to have bottomed out against the dollar, without any action from the Bank of Japan.

UK clearing bank base lending rate 12 per cent from August 25 & 26

Japan's August trade surplus will be released today, and according to Nomura Research Institute this will expand to a seasonally adjusted $6.7bn from $6.2bn in July.

The July US trade figures, tomorrow, will therefore need to show further improvement *if downward pressure on the* dollar is to be averted.

The median forecast for the US trade deficit (seasonally adjusted) is $11.5bn, against $12.5bn in June.

Pressure for higher US interest rates has eased, following the weak August US employ*ment data,* and *unless* the trade news is a surprising disaster, the Federal Reserve will probably continue to tread a steady path on rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.9) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON RECENT ISSUES

EUROPEAN OPTIONS EXCHANGE

WORLD STOCK MARKETS

CANADA

TORONTO

Closing prices September 9

MONTREAL

Closing prices September 9

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 9

Continued from page 37

AUSTRIA | FRANCE (continued) | ITALY | SWEDEN | BELGIUM/LUXEMBOURG | NETHERLANDS | SWITZERLAND | DENMARK | GERMANY | NORWAY | SOUTH AFRICA | FINLAND | SPAIN | FRANCE | JAPAN | AUSTRALIA | HONG KONG | SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK — DOW JONES

	Sep 9	Sep 8	Sep 7	Sep 6	1988 High	1988 Low	Since compilation High	Since compilation Low
◆Industrials	2068.81	2063.32	2065.79	2065.26	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.78	88.71	88.70	88.18	91.25 (3/3)	86.12 (4/1)	–	–
Transport	873.81	866.64	866.94	869.18	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	179.94	180.06	180.00	180.54	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2088.73 (2079.30) Low 2038.94 (2052.10)

STANDARD AND POOR'S	Sep 9	Sep 8	Sep 7	Sep 6	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	266.84	265.88	265.87	265.59	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	305.97	304.67	304.72	304.62	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.76	25.72	25.70	25.46	25.76 (9/9)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.84	150.46	150.38	150.20	155.95 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	297.45	297.00	296.36	296.59	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	381.60	379.73	377.96	377.33	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Aug 19	Aug 12	Aug 5	year ago (approx.)
Dow Industrial Div. Yield	3.79	3.73	3.51	2.54

	Sep 7	Aug 24	Aug 17	year ago (approx.)
S & P Industrial div. yield	3.24	3.30	3.29	2.40
S & P P/E ratio	12.80	13.57	13.57	23.20

TRADING ACTIVITY

†Volume Millions	Sep 9	Sep 8	Sep 7
New York	141.540	149.380	140.740
Amex	8.681	9.518	8.425
OTC	124.886	116.615	117.816

NEW YORK	Sep 9	Sep 8	Sep 7
Issues Traded	1,943	1,933	1,943
Rises	822	760	816
Falls	582	663	639
Unchanged	539	510	488
New Highs	13	13	7
New Lows	19	18	15

CANADA

TORONTO	Sep 9	Sep 8	Sep 7	Sep 6	1988 High	1988 Low
Metals & Minerals	2715.6	2790.5	2863.4	2886.7	3226.5 (5/7)	2238.7 (8/2)
Composite	3269.2	3291.9	3297.9	3299.8	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1635.66	1642.48	1648.99	1650.85	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Exxon	2,038,300	45⅜	– ½	Allegheny Power	1,457,100	38⅞	
Inco	2,028,100	25⅝	– 1⅛	Polaroid	1,438,500	41⅞	+ 1⅞
IBM	1,960,900	114⅝	+ 2¼	General Electric	1,346,300	42	+ ⅛
Ramada Inns	1,887,300	10	+ ¼	Archer Daniels	1,333,300	19⅞	+ ⅛
Motorola	1,537,900	42½	+ 1½	Interco	1,201,900	70⅛	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

INDICES

	Sept 9	Sept 8	Sept 7	Sept 6	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1545.5	1555.5	1559.8	1567.2	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	732.0	736.3	736.8	744.2	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	199.5	198.6	197.9	197.6	199.70 (17/8)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4971.3	4956.8	4943.3	4909.8	5043.1 (9/3)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	220.24	220.49	220.10	219.45	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	724.2	712.1	700.2	695.1	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	351.7	352.1	349.3	348.3	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	133.5	133.5	132.7	131.7	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	490.19	490.53	489.03	487.26	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1491.0	1492.2	1487.7	1481.8	1510.4 (8/8)	1207.9 (29/1)
DAX (30/12/87)	1186.61	1185.35	1185.74	1179.76	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2496.56	2508.53	2525.14	2502.09	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	517.45	516.14	518.41	518.04	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27647.10	27740.11	27504.01	27320.51	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2129.64	2134.81	2125.14	2110.40	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	266.8	265.7	265.8	266.7	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	223.7	224.2	225.0	225.8	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	367.84	364.55	367.31	373.19	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1063.53	1066.61	1063.20	1062.28	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1249.08	1242.0	1228.0	1237.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1661.04	1659.0	1659.0	1648.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	278.11	279.39	280.14	281.32	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3001.5	2985.6	2984.8	2979.3	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	543.2	544.8	545.9	547.1	559.0 (9/8)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	437.0	436.5	433.1	466.2 (15/6)	401.0 (21/1)

**Saturday August 27: Japan Nikkei 27678.91 and TSE 2159.58
§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices September 9

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.3	20	624	27	26	26¾	+ ½
10	10	ACM n				346	u10⅛	10	10	
12⅛	8¾	ACMIn n1.40e		12.		389	11⅞	11⅝	11⅞	+ ⅛
12¼	10⅞	ACMSc n1.26		11.		887	11	10⅞	11	+ ⅛
10⅛	6⅞	ACMSp n.25e		2.7		105	9¼	9	9¼	+ ¼
28⅞	10½	AGS			21	906	28⅝	28	28½	+ ⅜
7⅞	2⅝	AMCA				42	3¾	3⅝	3¾	
8⅛	3¼	AM Intl				831	5⅝	5⅜	5½	– ⅛
28⅛	17	AM Int pf 2		9.2		12	27⅛	21⅝	27⅝	
58⅝	26¾	AMR			10	6890	47⅛	45⅛	46½	+ ¾
27	25	ANR pf 2.67		10.		4	25½	25¼	25½	
24⅜	19	ANR pf 2.12		9.0		242	23½	23⅜	23½	+ ⅛
10½	5¼	ARX			12	97	7½	7⅜	7½	
73½	35¼	ASA	3	7.8		380	39	37⅝	39	
22⅜	9½	AVX	.06e	.3	12	65	18⅜	18⅛	18⅝	– ⅛
63½	40	AbtLab	1.20	2.5	16	3874	49	47⅞	48½	– ⅝
27⅛	15⅜	AbitiBi g	1			4	18½	18⅜	18½	– ⅛
16½	8½	AcmeC	.40	4.1		34	9¾	9⅝	9⅝	+ ⅛
9½	6⅛	AcmeE	.32b	4.6	47	16	6⅞	6⅝	6⅝	– ⅛
20	14⅛	AdaEx	3.05e	19.		27	15⅞	15⅝	16⅛	+ ⅛
18⅛	6⅞	AdamMl	.24	1.5	16	3	16⅜	16⅜	16⅜	– ⅛
24⅞	7½	AMD				6161	11⅜	11	11⅜	+ ⅜
56⅜	29¼	AMD pf	3	8.7		12	34½	34	34½	+ ½
9⅞	4⅝	Adobe				36	7⅞	7⅛	7⅛	
18½	16⅛	Adob pf 1.84		11.		18	17⅛	17½	17½	– ⅛
21⅞	17½	Adob pf 2.40		11.		1	20⅞	20⅞	20⅞	+ ⅛
12¼	5⅞	Advest	.12	1.4	16	29	8⅝	8½	8⅝	
61⅛	39½	AetnLf	2.76	5.4	8	2773	51⅜	50	51	+ ½
36⅛	20½	AflPb s	.20	.7		168	27⅛	27⅜	27⅜	– ½
21⅛	13	Ahmans	.88	5.4	10	1289	16½	15⅞	16⅛	+ ¼
4⅝	1⅜	Aileen				180	4⅛	4⅛	4⅛	– ⅛
37½	22¼	BritAir								
34½	28¾	BritGas								
31⅞	16	CBI In								
[illegible]										

Continued on Page 37

صورة من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing prices September 9

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 4pm prices September 8

[illegible]

Continued on Page 35

The Business Column

Too soon to reject accepted wisdom

When Mr John Opel was president of IBM, in the early 1980s, an interviewer asked him if he was worried by the challenge from companies that made mainframe computers that mimicked IBM's. No, said Mr Opel: companies that were "followers" would always find it hard to achieve sustained profitability; successful computer companies were those with their own proprietary standards, and the loyal band of customers these created.

Until recently, that statement summed up the computer industry's conventional wisdom. And time has proved it largely true: in the mainframe computer business, following IBM has rarely led to a steady flow of profits. And in the more cutthroat world of micro-computers, the soaring profits of Apple Computer shows how unchallenged command of a proprietary standard can protect against too much price competition.

But there are at least two recent counter-examples to Mr Opel's general truth – and a growing feeling among computer users and some computer makers that an era of open, shared, non-proprietary standards is at hand. The counter-examples are Sun and Compaq, which have both built billion-dollar businesses of strong and growing profitability by abandoning the concept of a proprietary standard.

Relentless pressure to Balkanise

Does the extraordinary success of these two companies, and the growing hubbub about "open systems", mean that conventional wisdom is wrong and thatnon-proprietary computing is at last an attractive route to profitability? It would be good news for computer users if that proved to be true: the proprietary approach has produced a relentless pressure to Balkanise the computing world.

Good news is rarely unalloyed, however. The success of Sun and Compaq is not so much an invitation to the rest of the world to join the open systems bandwagon as a lesson in how really well-run companies can prosper even in unpromising circumstances.

Except when demand is going through the roof (as it has this year for powerful IBM-compatible micro-computers, for example) non-proprietary standards rapidly lead, for most participants, to commodity products, where only those with below average costs or above average access to distribution can hope to survive.

Sun and Compaq have been able to thrive in this atmosphere by turning themselves into a new breed of company, what one might call "aggressive standards followers." They have turned the ability to spot emerging standards, and incorporate them rapidly into their designs, into the competitive equivalent of a proprietary system. That requires great resources of engineering talent, of course, but it also requires the flexibility to fight the "not invented here" syndrome, and junk your own much-loved design.

If this is the correct interpretation of the success of Sun and Compaq, it raises questions about the prevailing enthusiasm for open systems. First, most mundanely, will these two companies be able to retain their freshness of approach and healthy profit margins as their organisations age and competitors catch up? Second, how easy will it be for others – especially large, long-established companies – to adopt the organisational flexibility that "aggressive standards following" requires?

And third, if proprietary standards continue to offer those companies strong enough to impose them – IBM above all – higher margins than those which foster price competition, will most open systems advocates find themselves condemned, at best, to profitless prosperity?

In such a future, all but the most adaptable standards followers may shift container-loads of machines; may rack up impressive revenue numbers; and may make money in the industry's good years. But they will be unable to build the come-rain-come-shine profitability that is the legacy of a successful proprietary system. It may not be so easy, after all, to escape the unpalatable logic of conventional wisdom as the open systems euphoria might suggest.

Peter Martin

THE MONDAY INTERVIEW

A prima donna for all seasons

Richard Fairman talks to soprano Dame Gwyneth Jones who returns to Covent Garden tonight

As London's Royal Opera prepares to open its doors for a new season, it is all change. The new management under Jeremy Isaacs has sought to impress its personality on all aspects of the house, from redesigning the programmes to changing the seating arrangements and removing the carpet in the stalls.

Visitors to the opening performance of Puccini's Turandot tonight, however, will be reassured to find one important and enduring constant. The soprano Dame Gwyneth Jones made her début at Covent Garden in 1963 and her appearance in the title-role will both inaugurate the new regime and mark her own 25th anniversary in the house: a fitting combination for a career which, even now, is looking as much to the future as to the past.

The years between may have had their ups and downs, but they have certainly not been lacking in challenges met and peaks scaled. When she talks today, she is so enthusiastic about singing that there is no doubt what it is that still drives her on, and has won her a reputation as a singer who can be relied upon to give any challenge her all.

Who else, one feels, but Gwyneth Jones would have agreed to this? A couple of years ago, a performance of Strauss's Die Frau ohne Schatten in Zurich was put in jeopardy when a colleague cancelled, and Jones found that she had been talked into saving the day by singing the role of the Dyer's Wife and sight-reading the notoriously difficult role of the Empress at the same time. At one point she even had to sing a duet with herself.

"I still can't believe I did it," she says with a shake of the head, but her eyes light up at the thought just the same. You know that if the offer came again, the answer would be yes. This is the spirit that put her in the vanguard of singers who led the British invasion of the opera houses of Europe in the 1960s, and swept the Royal Opera's young Rhinemaiden on to be the first British Brünnhilde at Bayreuth.

Born in Pontypool and educated primarily at the Royal College of Music, Gwyneth Jones progressed rapidly in professional circles, first to the Zurich Opera House and then to Covent Garden. "That was the time when David Webster was the General Administrator. There was a wonderful family feeling. The company really nursed their young singers and I am very grateful that I happened to be there at that time, because they sent me to Rome to study my Italian repertoire with Luigi Ricci and to Munich to work on my Sieglinde in Die Walküre with Hans Hotter.

"I am sure one of the reasons why we have so many international singers in Britain today is because our generation was given the chance to further our studies abroad." She regrets that today the Royal Opera is no more a family than any other international house. Only a handful of singers is encouraged to stay with the company and the majority of supporting roles (such as the Valkyries in Wagner's Ring, which in the 1960s could have been cast from company members) are filled by visiting artists.

Another advantage at that time — and this is a feature that many people would like to see reinstated – was the chance for aspiring younger members of that family to sing when the booked artists cancelled. For Dame Gwyneth herself this system was to bring immediate gold, when last-minute substitutions in Fidelio and Il Trovatore opened the doors to the world's leading opera houses.

A rush of débuts followed: Paris, New York, Milan, Vienna, Bayreuth. Within a few years of leaving college she was working with the leading international conductors and producers of the day. Artists like Hotter, Frick, Simionato, Nilsson and Greindl were her colleagues and it amuses her that she is sometimes thought of as one of their generation. "I was so lucky to start so young," she remarks, "because I had the enormous advantage of being able to stand on stage and learn from singers of quite another generation."

This had not always been the way. In the first half of this century the British singer was a *rara avis* in most international operatic centres, with a strange inclination to change the colour of its feathers: many singers of British origin who wanted to make a career on the Continent preferred to take a name that was enticingly Italian or French.

There were isolated success stories, such as Dame Eva Turner, a shining example before the war, or Sir Geraint Evans and Heather Harper also just starting their international careers after it. But British singers were still the exception. "It was partly to do with the war, which had stopped a lot of careers. But also, as music education improved, so did the standard of British singing, and the opera houses recognised this.

"For me, this is one of the most satisfying things: to be *accepted* at the source. To be able to sing Wagner in Bayreuth, Strauss in Munich and Vienna, Verdi at La Scala." From 1966 Gwyneth Jones has been a fully international artist in every sense. Home is in Switzerland with her Swiss husband (a successful businessman) and teenage daughter, but the demands even of a carefully controlled schedule – only about 60 performances a year – still leave her less time to spend with them than she would like.

In 1976 came her most important challenge to date. Wolfgang Wagner, grandson of the composer, had been nurturing Jones to take on the triple role of Brünnhilde in Wagner's Ring cycle at Bayreuth and in that year, the centenary of the work's first performance, he scheduled a new production of it with her and the controversial French theatre director, Patrice Chéreau.

The result was blazingly controversial and met with an extraordinary audience response. In the first year the music was often drowned by a cacophony of booing and whistling, but by its last performances in 1980 the whole production was being hailed as a masterpiece. "You have to remember that Chéreau had brought a whole new style and concept to the Ring and opened the door to a new epoch for opera in general. At first it was very difficult because people didn't understand.

"What happens at Bayreuth, though, often goes on to influence the whole world. For instance, after the war in the productions of Wieland Wagner you had the 'new Bayreuth' style, as people called it, and that worked its way through to the other opera houses. Everywhere producers started to mount productions that were static and set on an empty stage.

"Then Chéreau came along and conceived a production style that was fundamentally different. The operas were played in modern dress, of course, but that was only part of it. The movement, the action, the contact between the characters had all been radically rethought." Typically, in one of the production's most moving moments, Wotan took Brünnhilde in his arms and carried her to the Valkyrie rock – not an idea that would have appealed to many previous Wagnerian prima donnas. Or, perhaps more to the point, to many previous Wotans.

For Dame Gwyneth herself it was the right production at the right time. Chéreau's determination to portray the mythical figures of the Ring on a human scale was well suited to the warm and sympathetic personality that she communicates so movingly on stage; and the vocal problems that resulted from a car accident a few years before were largely being overcome.

From that time on she has tackled all the major dramatic roles: a marvellously radiant Isolde, Turandot with the Royal Opera at the Olympic Arts Festival in Los Angeles, and most recently a Strauss Elektra to match the best that London has seen. She knows she is probably singing better than at any time since the beginning of her career, thereby confounding the predictions of doom that were fairly widespread about 15 years ago, and says she feels that she is "at the stage where I'm all set to go."

This is, she stresses, because she insisted on holding off the most taxing dramatic parts until she was ready for them. A role like Elektra, for example, is regarded as "a killer" by most sopranos. The received wisdom is that either you leave it till the end of your career, or it will end your career for you. Dame Gwyneth finds it distressing to watch a singer trying to wrestle with a heavy-weight role like this too early.

"When I was in Cologne a couple of years ago, I met a young soprano who had just been given a contract for a small German opera house. She was about to sing Elektra as her first role and I said to her 'Don't do it! You'll kill yourself before you start.' I do not say that it is a mistake for young singers to have a career early. But they must not let themselves be forced into taking on the heavy dramatic roles before they know how to deal with them."

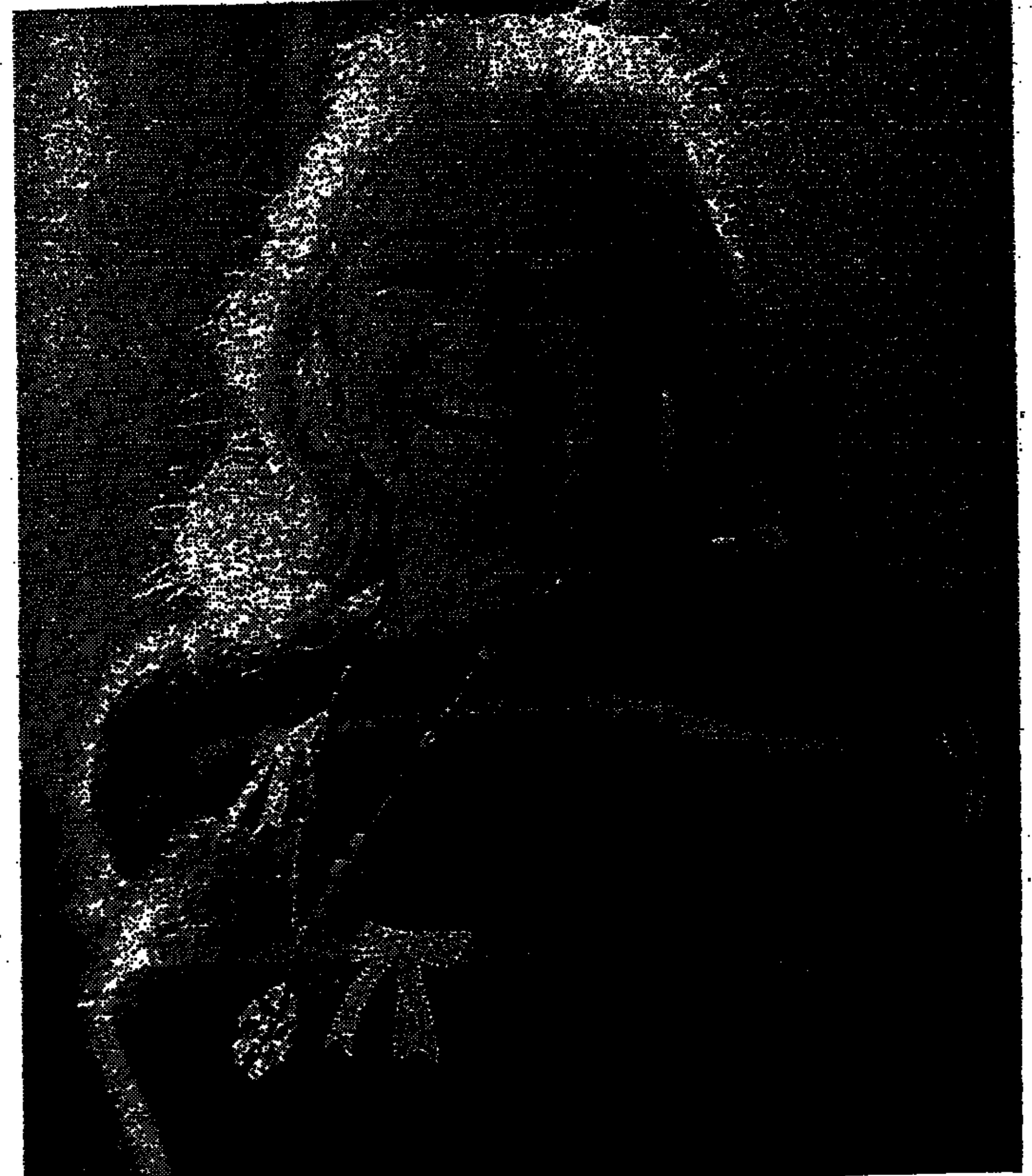
On the future for opera she is characteristically upbeat. Opera, she says, is being rejuvenated on all sides. Wherever she goes, there are young people filling the theatres, which shows there is a need for the art-form now as much as at any time in the past. Among the performers, there are always new faces to be seen and new influences to be felt, as with the influx of musicians from the Far East, who are increasingly to be found in the world's opera houses.

For herself, there is still a career to be followed that knows no bounds. Bellini's Norma and Puccini's Fanciulla del West beckon. There will Sibelius in Finnish in Helsinki, some Poulenc in Paris, and the whole field of French opera still to discover. But then, if you are in the peak of health, vocal and physical, and still full of enthusiasm for what you do, why stop now?

I ventured that she had spent her 25 years in opera like the guest who arrives at the party first and leaves last. She laughed heartily. "And I'm *not* thinking of leaving yet!"

PERSONAL FILE

1936 Born Pontypool, Wales
1956 Royal College of Music
1962 Professional début, Zurich
1963 First appearance with Royal Opera
1966 Débuts in Vienna, Munich, Bayreuth and New York
1976 Bayreuth centenary Ring cycle
1976-7 Kammersängerin of Bavaria and Austria
1986 Created DBE
1987 Hamburg Shakespeare prize
1988 25 years with Royal Opera



Alastair Muir

'One of the most satisfying things is to be accepted at the source — to sing Wagner in Bayreuth . . .'

The Sharpeville Six

THE PETITION by the Sharpeville Six for the reopening of their trial for murder, heard last week by the Appellate Division of the Supreme Court, is being represented as the ultimate test of whether South Africa's highest judiciary retains the will or the power to exert its limited influence to minimise, if not eradicate, the relentless impact of laws that afflict black Africans. The legal point at issue is far removed from the direct application of the oppressive laws of apartheid, but the case symbolises the ceaseless struggle to end white domination.

The five judges of the Appellate Division are being asked, in the absence of any written rule which allows the court to unpick the finality of the criminal process, to invoke an inherent power to act whenever justice demands judicial intervention.

A prosecution witness claimed to have been forced by police interrogators to perjure himself at the trial of the Six in connection with the death of a councillor who was killed by a mob, which petrol-bombed his house and beat him to death. None of the Six inflicted any of the blows, but had simply taken part in the common purpose that made them in law equally responsible for the commission of the supreme crime.

Their original appeals were turned down; the criminal process was thus complete. President Botha declined to exercise the prerogative of mercy and to reprieve them, despite a storm of protest from the international community.

On the eve of their execution, a temporary reprieve came in the form of a judicial intervention. A retired acting Supreme Court judge entertained an application for a rehearing on the grounds of the perjured evidence. Ultimately he declined to intervene. Once again the hangman's noose was poised over the Six, until the acting Chief Justice and four Appeal Court judges agreed to sit, unprecedentedly in public, to hear the petition of the Six.

Over the years legal commentators have expressed admiration for the quality of South Africa's judiciary. The courts have been consistently assessed as being independent and impartial in ensuring equality before the law. But a vocal and growing opinion has developed in the last two decades which maintains that the present generation of judges has failed to distribute justice even-handedly and done nothing to arrest the growing, adverse impact of apartheid, although the point is taken that the inherent injustice of the country's social and political structure has inevitably infected the performance of the courts.

But can the judges in South Africa perform the function as protagonist of democratic values, rights and freedom in the face of such legislative and executive injustice? Almost certainly not, and for several reasons.

First, the constitutional model, framed along Westminster lines, assigns the weakest position to the courts. Parliament has the competence to negate the effect of court decisions as well as the ability to remove classes of disputes from the jurisdiction of the courts, if dissatisfied with judicial action. There are, moreover, no constitutionally guaranteed rights and freedoms for South Africans.

Second, appointments to the bench have ensured a close alliance between courts and parliament.

Third, judges are, as elsewhere, the product of the society they serve. Judges rarely reject the established political norms.

Lastly, there remains the role of law in government. Any court system must necessarily be the instrument through which the legislature and the executive enforce their policies, as well as acting as a safety valve through which dissidents can let off steam in a controlled and containable manner. In the continuing unstable and at times revolutionary atmosphere of South Africa courts have been instinctively inclined to support ordered government.

It is not in the nature of the judicial ethos for judges to challenge the political values of a ruling party, either through open criticism of, or refusal to enforce unjust legislation, or even to resign.

However, if the Appellate Division cannot find a way to accede legally to the Six's petition they might still voice an unease about the inexorable exaction of the ultimate penalty in a case that has aroused so much international opposition. The Six have already spent 1,001 days under the threat of the hangman's noose.

It has not been unknown for judges to go beyond the strict bounds of the legal issue before them. They have not hesitated on occasion to indicate to executive government that pleas of mercy for a condemned murderer should be heeded. Nothing other than such a pronouncement from the judges who sat last week in Bloemfontein is likely to save the Sharpeville Six.

JUSTINIAN

SECTION III

FINANCIAL TIMES SURVEY

Cellular mobile telephone networks are expanding fast. Setting the pace are Britain, Scandinavia and the US, but there is growth elsewhere, with plans to launch a European digital cellular mobile system in 1991, writes **Terry Dodsworth**, Industrial Editor

Mobile Communications

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Handsets: challenge of Japanese 2

Pan-European digital system: the international car phone 3

Mobile cellular radio: growing quickly causes problems
Radio data systems: putting the driver in the picture 4

Car radio networks: prospect of 1m subscribers 5

Pagers: a scanning solution 6

Cordless telephony and the mass market 7

Satellites: moving targets can yield rich pickings 8

□ *Illustration by John Batten*

Europe's bid to stay ahead

THE LAUNCH of the UK's first two cellular mobile telephone networks in January 1985 was greeted with little more than passing interest in the City of London. The extent of the change in opinion since then can be gauged by the plans to float off a part of the Vodafone operation later this year. If the issue goes ahead, it will value the company at around £1.75bn, not far short of the stock market valuation placed on some of the country's leading electronics groups.

The reason for this dramatic reversal in attitudes lies in the extraordinarily rapid growth of the industry over the last three-and-a-half years.

From a standing start, the network operators have built up a subscriber base of well over 300,000, and are adding new customers at a combined rate of well over 10,000 a month. London has developed the most intensively used cellular phone system in the world, and handsome profits have begun to flow through to the operators — Vodafone, a subsidiary of the Racal electronics group, made operating profits of £50m last year against a loss of £12m in 1985-86.

While sales in Britain have shown particularly vigorous growth, some other countries have gone through a similar experience, underscoring the latent demand for mobile telephones in industry. In the US, where investment in the networks started earlier, the subscriber base has already reached 1m, while in the four Nordic countries that are linked in a common system — Sweden, Norway, Finland and Denmark — the number of customers has now reached almost 500,000. Growth is also accelerating in other European countries which got off to a slow start: both Germany and France now have well over 60,000 subscribers.

Three types of market opportunity have been created by this expansion. The largest, in terms of revenue, is in running the networks. Customers are charged for the time they spend making calls, just as in the conventional wired telephone system, so once the infrastructure is in place there are considerable opportunities for making profits simply by increasing the number of subscribers.

It is this feature that has particularly attracted investors to the Vodafone flotation. Because Vodafone enjoys a duopoly market position alongside Cellnet, a subsidiary of British Telecom and Securicor, it is reasonably assured of a steady flow of revenue. The possibilities for expansion in service revenues can be judged by estimates suggesting that *mobile telephone operating* companies in the US could be generating sales of \$6.5bn by 1992 against \$1.4bn last year.

The second new element in the market lies in infrastructure equipment. Subscribers place and receive calls through a process which uses radio signals to make the crucial connections between the existing wired network and the moving car. This demands transmission and reception equipment, devices to track the mobile handsets in the cars so that the system knows where to contact the customer, and exchanges *to switch calls* between the cellular network and the conventional telephone operation.

By the standards of the world telephone industry, now spending about \$100bn a year, this is not a particularly large market. But it is a wholly new one and is rising rapidly. The US alone, for example, is expected to increase its expenditure in this sector from around \$555m last year to \$840m in 1992; and in Europe, the proposed new digital network is expected to bring in orders of around \$560m a year in the early 1990s. For an *equipment industry* that has been undergoing a shake-out this represents an exciting new opportunity.

A third market has opened up for suppliers of the handset equipment which goes into the cars. Initial estimates indicate that sales in this area may amount to about the same as those for infrastructure equipment, although prices are now falling so rapidly that companies which fail to move into new country markets may well find it difficult to maintain significant turnover growth.

The euphoria over the prospects for the mobile cellular industry, however, cannot hide the fact that the world market has developed in an extremely patchy manner. The rapid take-off in Scandinavia and the UK contrasts sharply with the slower growth in Japan and several European countries. Some large countries around the world have yet to make any significant investment at all. Other small countries, like Bahrain, Kuwait and Hong Kong, already have substantial networks.

These disparities raise some intriguing policy questions, particularly in Western Europe. Since the bulk of the *established telephone system* in the European region is roughly comparable, the cellular network might have been expected to have developed in a fairly uniform manner in the different countries. Two main reasons are advanced for the current differences.

The first is the issue of prices. In the slower developing markets, such as West Germany, prices have remained comparatively high, particularly for the handset equipment that is installed in the cars. In the US, average prices for these products are now well below \$1,000, and possibly as low as \$700, and in the UK they have probably been pushed *down to around £1,000*. But in Germany they are still around \$2,600 - about half the price they stood at two years ago, but still very high compared to the leading markets.

Second is the question of market structure. Both the US and the UK have deliberately developed their networks under a competitive arrangement, the UK through a national duopoly, and the US by selecting two competing companies in a series of local sales zones. While the Nordic companies have not had the same degree of direct competition between network operators, suppliers say that the national telephone company running the main cellular system has adopted a very market-oriented approach from the beginning.

The significance of these pricing and structural differences is that expansion has been seen to come far more rapidly under the more liberalised operating regimes. As a result, Europe as a whole is now tending *to move towards systems* which are more market-oriented. In this sense, the UK experiment has had a substantial impact. While Germany and France are unlikely to replicate fully the British system, both are planning to create further operating companies to compete against organisations currently run by the main public telephone groups.

At the same time, however, European governments are anxious to avoid the negative effects that have flowed from the UK approach. Partly because the British market has been expanded so quickly, UK manufacturers were not geared up to enter the cellular market, with the result that most of the equipment market has fallen to foreign companies.

These issues have been very much in the minds of European policy-makers in developing their ambitious plans for a new digital cellular mobile system to be launched in 1991.

This network will operate to common standards across Europe, and will therefore lend itself to open competition throughout the region by equipment suppliers. But it is being developed with the collaboration of the indigenous hardware manufacturers in an attempt to give them a lead in the creation of new products *for the system*; and, at the same time, the operating companies are likely to be run in a much more market-oriented fashion than the traditional state-owned telephone utilities.

The big question for the future of the European industry is whether these policies will work in stimulating a competitive manufacturing industry in the next generation of mobile cellular equipment. There is no doubt that the plans have created great interest. A large number of companies have come together in several consortia aimed at making infrastructure equipment. Many of these are also working on telephone handset designs.

Nevertheless, realists in the industry assume that only a proportion of these new initiatives will lead to viable long-term businesses. Indeed, it is widely argued that the creation of a genuinely common market for the next generation of cellular equipment is likely to lead to consolidation among suppliers because of heightened *competition. Meanwhile*, the Europeans will have to face a number of foreign companies just as eager as they are to take advantage of the new market conditions. It is hard to escape the conclusion that Europe has set itself a formidable challenge in making this ambitious attempt to establish a lead in the cellular mobile telephone industry.

The main companies in infrastructure equipment

Cellular market opens door to foreign competition

IN SEVERAL ways, the development of the mobile cellular market has created opportunities for new competitors to enter the telecommunications industry. In both the US and Europe, a fresh band of network operators has emerged to compete with the established groups, and a variety of electronics companies has diversified into the production of mobile handsets.

Only a limited amount of new blood, however, has been attracted into the supply of infrastructure equipment. In this sector of the market, the industry remains very much under the control of the longer-established telephone exchange producing companies. These are the businesses that have the necessary expertise in the complexities of switch designs; and many of them also have experience in radio transmission, a necessary ingredient in the hybrid technology that has created the mobile cellular industry.

The prominence of the leading world switch producers in this new industry, however, should not mask the fact that the cellular market is a comparatively open one, much more welcoming to foreign competition than traditional exchange manufacturing ever was. In the rush to set up cellular systems, many countries have abandoned the old policy of funnelling telecommunications orders into selected national champions. They have been prepared to look overseas for expertise if they could not find it at home.

This can be seen particularly vividly in the UK, where the infrastructure equipment of switches and base stations — the equipment which transmits and receives messages — has come from non-British suppliers for both Cellnet and Vodafone, the two network operators. Cellnet, the British Telecom-led group, has relied on Motorola of the US to construct its mobile network, while Vodafone opted for equipment from Ericsson of Sweden.

Similarly in the US, foreign companies have crept into the market, with both Ericsson, the leading Swedish exchange producer, and NEC of Japan licensing small stations. Foreign companies have even made some progress in Japan, a notoriously difficult market for importers of telecommunications products, with Motorola chosen to set up one of the mobile networks.

Many countries have looked overseas for expertise if they did not find it at home

As a result of these various international moves, a handful of companies has emerged in a strong position to dominate the evolution of the market. The most important of these are:

● American Telephone and Telegraph (AT&T), the leading American switch manufacturer, which has captured the largest market share in cellular mobile exchanges in the US. Dataquest, the market research organisation, estimates that AT&T has around 37 per cent of total US cellular switch sales, which amounted to $555m last year, and which are expected to jump to $750m this year.

AT&T's strength is its historically powerful position in North America, where there is a natural bias to buy its switches because of the company's knowledge of the wired telephone network; its weakness is its lack of penetration overseas.

● Motorola, the American electronics group which has used its expertise in radio technology to move decisively into the cellular industry. Motorola, which buys some of its switches from DSC Communications, a specialised US producer, has emerged as a strong rival to AT&T in the US, where it is calculated to hold around 36 per cent of sales.

At the same time, Motorola has expanded internationally, taking roughly half of the British market and moving into Japan. Teething problems with its technology in the UK (which uses different operating standards than the US), now appear to have been overcome; indeed, Motorola has won a further contract to supply digital systems to the Cellnet operating company in the UK and earlier this month achieved a breakthrough in the Norwegian market.

● Ericsson, which has built on its tradition of being the most international of all the big world switch manufacturers to establish a strong world position in the mobile cellular sector.

The Swedish company's strength lies in its penetration of several different markets, and its ability to adapt its technology to the demands of different operating standards. It is the leading producer in the Nordic area, which has played a pioneering role in the development of mobile systems through a network linking Norway, Sweden, Finland and Denmark; it also accounts for roughly half of infrastructure sales in the UK, currently the fastest-growing cellular market in Europe; and it has established a modest position in the US, where it has captured about 8 per cent of sales.

The cost of entry is so high that the advantage remains with the established suppliers

● NEC of Japan is also beginning to emerge as a world player in this sector. It is the dominant producer in its home market, has managed to pick up around 3 per cent of US sales, and is now trying to move into Europe, where it has bid for contracts for the planned new digital network. It has already established something of a foothold in the UK through the supply of infrastructure equipment for the paging industry, and some analysts expect that it will eventually win contracts in the later rounds of digital equipment orders.

● The other main suppliers tend to be fairly concentrated on their home markets. This is true, for example, of Siemens, the West German group, and Matra of France, both companies that have suffered up to now from the weak growth in their domestic markets.

In North America, Northern Telecom of Canada is a significant producer, with about 14 per cent of the market in collaboration with General Electric, which supplies the radio elements in the equipment package; but the Canadian group has not so far moved into the international field. In Europe and some developing country markets Nokia of Finland has picked up some orders.

The longer-term question now facing suppliers is how to tackle the application of digital switching techniques to the cellular industry. Although the present analogue systems have plenty of potential left in them — new markets are being opened up steadily throughout the world at present — Europe is looking to develop a digital system in the early 1990s, and by then the US will have largely completed its current round of infrastructure development.

Initially, the development of digital is being carried out by a number of different collaborative groups in an attempt to spread costs and speed up the process. But while this should allow new companies to establish a role in the cellular infrastructure market, it is unlikely to dislodge the leading companies from their present market positions.

There is such a high cost of entry to this market, in terms of the sophistication of the technology involved in switch production, that the advantage remains with the established suppliers.

Terry Dodsworth

HANDSETS

Challenge of the Japanese is held back for now

THE MANUFACTURING of handset equipment for the cellular mobile market is an area which appeals to companies that combine high technology design skills with effective large volume production and distribution.

It has thus proved an ideal field of activity for the Japanese electronics giants. But while the Japanese have captured a strong position in the world market, the US and European industries have also produced some vigorous competitors — indeed, a few companies from these regions have shown surprising agility in rising to the challenge of the Japanese.

Part of the reason for this variety of manufacturers in political. Some countries have either overtly or tacitly encouraged the supply of handset equipment from domestic suppliers, applying the policies that were standard practice in the heyday of nationally-organised telecommunications industries. West Germany, for example, has clearly proved an uninviting market for the Japanese, and suppliers from the rest of Europe have found it easier to penetrate the market if they established local manufacturing with a domestic West German company.

At the same time, the plethora of different standards around the world has encouraged small-scale production by local manufacturers with no ambitions for export sales. France, Italy and Denmark each have three of these relatively tiny companies, and there are a number of others in the South-East Asia.

A further factor is the extremely fast growth in the market. New opportunities are popping up constantly around the world, as more and more countries launch cellular systems, thus creating the room for fresh manufacturing companies to emerge.

Finally, the basic technology is within the reach of many electronics companies. Investment to move into the market is not so high as to be an impossible barrier for medium-sized groups, and even start-ups with good systems design skills have been able to establish a foothold. Many of the key components for the phone handsets are available on the open market — indeed, even large companies such as Nokia of Finland buy in many of the electronic parts that they need. For example, three new entrants in the US — Clarion and Alpine of Japan, and Shintom of Singapore — all came from the car entertainment radio sector.

Because of the current immaturity of the market, the industry is not expecting a significant shake-out in the near future. Nevertheless, several market leaders have by now emerged, headed by three international companies which are all estimated to have more than 10 per cent of world sales. These are Nokia, the Finnish company, Motorola of the US and NEC, the Japanese electronics group.

All of these companies have a strong position in the US, with market shares ranging from between 10 to 20 per cent, according to Mr Victor Krueger, an analyst at Dataquest. They are all equally present in European markets, and they have been moving into a number of other parts of the world as well.

A further five companies with world market shares of between 5 and 10 per cent have also established a relatively strong position for themselves. This group shows a heavy bias towards Japanese companies — it includes Toshiba, Panasonic, OKI and Mitsubishi — but also embraces Novatel of Canada, which has a foothold in both the North American and European markets.

On a more specialised basis, a British company, Technophone, has emerged as a particularly dynamic force in the market for light portable phones — receivers that can be detached easily from the car and carried around by the subscriber. Technophone, founded only four years ago, is currently manufacturing about 50,000 units a year and exporting the majority of its products.

In the present state of market expansion it would be dangerous to assume that any of these companies could not be dislodged by a vigorous newcomer. In the battle for survival they will face a number of issues over the next few years.

● The development of the European digital network will demand heavy new investment in technology. This is likely to give an advantage to the larger, better-financed companies, while creating more competitive market conditions, because it will be possible to sell the same product throughout the European market.

"I think the market is growing quickly enough to sustain a wide variety of companies for the time being," says Mr Nils Martensson, managing director of Technophone. "But when the new European digital system comes on line there will be a number which cannot compete because of the expense."

Handsets: worldwide market shares*

Nokia-Mobira	13.4
Motorola/Storno	12.8
NEC	11.2
Toshiba/Audiovox	9.5
Novatel	8.4
Panasonic	8.0
OKI	7.0
Mitsubishi	6.7
Ericsson	3.9
Philips	3.6
Siemens	3.1
Others	12.3

*May 1988 percentage figures

● Trade issues may also grow in importance because of the expansion of Japanese companies in Europe and the failure of Europeans to penetrate the Japanese market so far. Some Europeans claim that it has proved near-impossible so far to obtain standards specifications from Japan so that they can design for the Japanese market.

Tensions over Japanese exports to Europe have already led to a European Commission investigation into an anti-dumping claim. In response an increasing number of Japanese companies are establishing satellite production companies in the EC.

● Technologically, handset manufacturers are facing a continuing requirement to improve the performance of their products while bringing down prices — another factor that is likely to put smaller companies under pressure. In the US, for example, Dataquest is expecting annual revenue growth of less than 3 per cent over the next few years, rising from $442m in 1987 to $510m in 1992. This is because prices are falling while unit sales are going up. Average prices are now down to around $700 a set, half of what they were three or four years ago.

Some producers are tackling this challenge through specialisation. Technophone, for example, has concentrated on the sophisticated portable sector of the market, aiming at the same time to achieve volume by designing to as many different standards as possible. Sales of portables are generally expected to increase at a faster rate than the rest of the market, mainly because of their flexibility of use.

There is a consensus among the leading manufacturers that the key issue in determining future success lies in producing high performance equipment. Users want the same types of functions that are available on their ordinary telephones. Hence there is a heavy emphasis on design and development skills. Nokia, for example, has 300 researchers working on design and development, choosing to put the emphasis in this area rather than on manufacturing components, many of which are bought from outside suppliers.

Mr Martensson says similarly that the key issue is to be able to design customised integrated circuits that will allow as many functions as possible to be placed onto a silicon chip. This means, he adds, that the Japanese should not have any particular technological advantage in the future, despite their leading position in semiconductor production.

"Their strength is that they are big and that they therefore have a financial advantage over European companies. But we are just as able to come up with innovative designs and products as they are," he says.

Terry Dodsworth

The 1991 pan-European digital system

The car phone is set to get an open passport

EUROPEAN manufacturers have largely missed out on the first generation of cellular telecommunications. They are now trying to leap-frog the rest of the world in developing and implementing the second generation.

This is the central rationale behind the plan to introduce a pan-European mobile telephone system from 1991. Under this, motorists will be able to drive from Edinburgh to Seville using the same phone.

At present, this is impossible. There are four different — and incompatible — versions of cellular telecommunications being used in Europe. In each country, moreover, different radio frequencies have been allocated to mobile telephony.

This is not only irritating to consumers, who find that their phones become useless when they cross national frontiers. It also appears to have harmed European manufacturers, because they have had to cope with a fragmented market. Different equipment had to be designed for different markets and many manufacturers concluded that they could not build up the economies of scale to justify the necessary research and development expenditure.

Although Nokia of Finland and Ericsson of Sweden have both made an impact in the world's cellular telecommunications markets — helped by the extremely high penetration of mobile telephony in Scandinavia — other European companies are barely to be seen. The British, in particular, have failed to generate a manufacturing base in this market, despite the fact that there are now more users of car phones in Britain than in any other European country. The beneficiaries have been Japanese and US manufacturers.

European subscribers to mobile systems	
UK	311,000
Sweden	192,000
Norway	131,100
Denmark	85,800
Finland	80,800
W Germany	62,900
France	60,000
Austria	28,400
Netherlands	27,600
Italy	21,500
Switzerland	10,900
Belgium	8,200
Spain	6,000
Iceland	5,500
Ireland	3,800
Luxembourg	200

The new pan-European digital system offers a hope of overcoming these problems. Fifteen western European countries — both within the Community and outside — have agreed to shelve their differences and develop common technical standards, which will give manufacturers one large market to attack. They are also allocating the same frequencies for the system so that motorists will be able to travel from one country to another and still use their phones.

Cellular telecommunications work by dividing a country up into "cells", each of which has a radio base station. The mobile phones communicate with the base stations by using radio signals. When users move from one cell to another, their calls are automatically handed over to the next base station without interruption.

One of the reasons that the present analogue systems are having to be replaced is that — at least in the UK — demand for car phones has been growing so rapidly that the radio frequencies have become congested. The industry estimates that the new digital system — which will transmit the signals as a series of electronic digits rather than analogue waves — will allow about three times as many calls to be made in a given cell.

Another reason for moving to digital cellular technology is that it has, so far, not been colonised by any other trading block. Both the US and Japan still use analogue technology. Instead of starting from behind, Europe has a chance to take the lead.

Manufacturers will have two distinct markets to attack: one will be in providing operators with infrastructure (base stations, switches etc) with which to run their services; the other will be in selling phones to consumers. Each market is expected to be worth about £400m a year in Europe in the 1990s.

It is in the first market that European manufacturers are least vulnerable to outside competition. Although the era of backing national champions is supposed to be coming to an end, operators — which, in most cases, will continue to be the traditional state-run telephone companies — seem likely to favour local companies.

In the UK, Vodafone — one of the two operators — has awarded its initial £50m contract to Orbitel of the UK and Ericsson. It has made clear that Orbitel, which is Vodafone's sister company, will get the lion's share of future orders.

Cellnet, the other UK operator, has chosen Motorola of the US for its initial system. However, Mr Colin Davis, its managing director, said this was only because Motorola would be manufacturing the equipment in the UK.

In the rest of Europe, where bids are due any day, the picture appears to be as follows: Alcatel and Matra (two French companies) are each likely to win contracts in France; Siemens, the local electronics giant, is the favourite in West Germany; and, in Scandinavia, Ericsson is expected to be the lead supplier.

However, two factors temper this economic nationalism. First, although a domestic manufacturer will often prove to be the lead supplier, it may not be the sole supplier. Over the past year, Europe's manufacturers have been forming themselves into consortia to share research and development costs, and bid for contracts jointly. Matra and Orbitel, for example, have an arrangement to use Ericsson switches in their bids for contracts and are co-operating on software development.

The second factor is that the use of common technical standards means that operators will be able to switch from one supplier to another with comparative ease. So manufacturers chosen as an initial supplier may not find they get repeat business if they are too expensive or if their technology is not up to scratch.

The market for the mobile phones themselves seems likely to be competitive right from the start. Although European manufacturers will have the benefit of having been closely involved in the development of the original standards, they will be selling in the open market and it is clear that there is still a long way to go before marketable products are ready.

Japan's strength in semiconductors is likely to give manufacturers such as NEC, Toshiba and Panasonic a head start in getting digital phones small enough to be truly mobile. Europe's weakness in this area was shown earlier this summer, when Orbitel proudly presented what it claimed was the first digital "mobile" phone in the world. It was the size of a fridge.

Hugo Dixon

The Sensar tone and numeric pager, introduced by Mercury Paging last year, is claimed to be the smallest pager in the world. Weighing only 1.5 oz, the stylish penstyle pager offers greater flexibility than the traditional "bleep box on the hip." It can receive messages of up to 20 digits to enable receipt of international telephone numbers.

The Multitone Staffguard System is a small, lightweight unit, *clipped to a belt or carried in a pocket and is ideal for anybody* working alone or in an isolated or hazardous environment.

The system divides the area covered into 10 zones, thus allowing the control centre's personnel to identify the whereabouts of the call very quickly. The unit's signal can set off a general alert or a radio pager if a specific person is required quickly.

SERVICES IN EUROPE

A competition bandwagon

THE CREATION of a pan-European mobile phone network not only provides an opportunity to give a boost to European manufacturers. It is also a chance to rethink the way that mobile services are provided to the customer.

The key question that needs to be answered is how much competition there should be in the provision of these services. Should they be supplied exclusively by state-run monopolies, or should there be several competing suppliers?

The UK's operators — Cellnet and Vodafone — are *emphatic that competition is* best. They contrast the spectacular growth of cellular telephony in the UK with its sluggish performance on the Continent, apart from Scandinavia, and attribute this to the *structure of the UK market.* "All countries are big enough to support two operators," says Mr Colin Davis, Cellnet's managing director. "It depends on the political will in the country concerned."

This competitiveness is said to result from three factors:

● there are two operators in the market not one, as in most of the rest of Europe;

● British Telecom has to maintain an arm's length relationship with Cellnet, of which it owns 60 per cent, so prevent*ing it* from *abusing its* near-monopoly position in mainstream telecommunications to dominate mobile telephony;

● about 60 service providers rather than the operators themselves are responsible for selling mobile services direct to the customer, so providing further market competition.

This structure, it is argued, has led *to vigorous marketing* of cellular telecommunications in the UK, a mushrooming in demand and a better deal for customers. Some of these claims are difficult to prove. For example, although the prices of mobile phones are falling steadily, the price of making the phone calls has remained at obstinately high levels. And the large profits that Vodafone and Cellnet are now beginning to make have led to suggestions that the two operators may not be competing in those areas where it hurts them most.

Even so, the growth in numbers of subscribers in the UK has been impressive and other European countries are beginning to take the argument of competition seriously. France and West Germany have decided to license a second operator. Although one of these licences will be granted to the state-run telephone monopoly, in each case one licence will go to the private sector. This may, in turn, lead to the development of a service provider concept, as operators compete with each other to expand their distribution channels as fast as possible.

A *move* towards competitive structures would also help those companies with trans-national ambitions. It is extremely unlikely that any European government would grant a foreign company a licence to run its only cellular service, but it might well allow a foreign company to own a share of one of its two services. Vodafone, for example, has already taken a 4 per cent stake in Cofira, the cellular rival to France Telecom, and would like to set up joint ventures in other countries. BT has similar ambitions.

Once the competitive structures of the markets have been determined, the operators will still have to decide many nitty-gritty details about how *their networks will interlink.* How, for example, will a Swede in Paris make a call to Milan, and how will he be charged?

The present thinking is

■ The Swede's phone will send out a digital code which will enable the French system to recognise him or her immediately as a visitor.

■ The French system will *communicate with the Swedish* system's computers to verify that the visitor has not been cut off for failing to pay a bill.

■ When the call is finished, the French operator will send a bill to its opposite number in Sweden, which will then charge the customer.

What has yet to be decided is how this structure will fit into a market which has several operators. How will the Swede's phone know whether to use France Telecom's network or Cofira's and how will the revenue be shared out?

Hugo Dixon

Della Bradshaw looks at the rapid progress of mobile cellular radio services

Growing quickly causes problems

WHEN THE British government decided to license two competing companies to operate mobile cellular radio services it was a unique experiment in Europe. Four and half years after the start of the two services the policy has had both its triumphs and its drawbacks.

The number of customers on the two networks has grown unexpectedly quickly. Racal Vodafone, one of the two *licensed operators, now has* over 200,000 users on its network, which makes it probably the largest single cellular mobile radio network in the world. Its rival Cellnet, which is owned by British Telecom and Securicor, will not reveal its figures, but estimates put them at over 180,000 and growing at *the rate* of 11,000 new customers a month.

But with that growth has come problems. "The downside is that we have been forced by competition to move faster than careful planning would allow," says Mr Peter Waller, marketing director for Cellnet. Both Racal Vodafone and Cellnet have had problems during the past four years because there have been too many calls made for the capacity of the network.

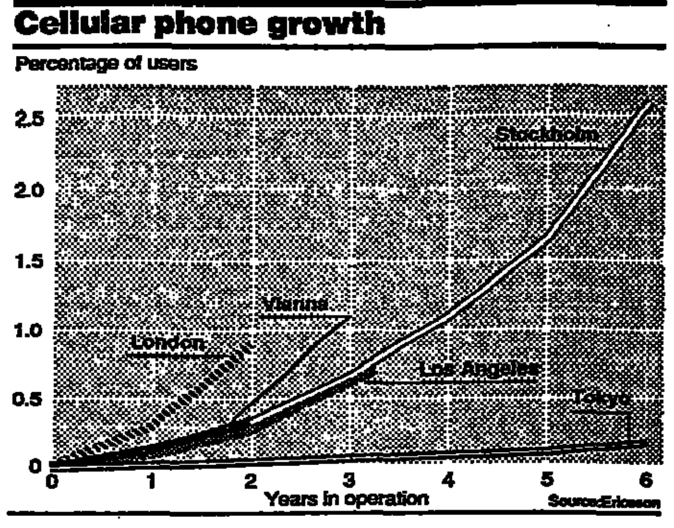
Both the operators have engineered their way out of the difficulties, putting in extra telephone exchanges and extra "cells," each of which contains a radio transmitter and receiver.

Each cell works on a different radio frequency to its neighbour; the smaller the diameter of the cells the more often the same radio frequencies can be used, and so the more calls can be made. Now, according to Mr Chris Gent, managing director of Racal Vodafone, the worst congestion rate is between 10 and 15 per cent during the busiest hours on Vodafone.

In addition the two operators have been given extra radio channels in the London area, the most congested area in the UK, to try to alleviate the problem. Cellnet has asked the government if those radio channels can also be made available in other major cities, such as Birmingham, to cope with the congestion.

The UK is not alone in having to increase the number of radio channels needed for its analogue cellular radio service.

Cellular phone growth



In Scandinavia the Nordic Mobile Telephone (NMT) system has faced similar congestion problems. Four countries operating the NMT system – Sweden, Norway, Finland and Denmark – have had to introduce a second pan-Scandinavian cellular network, to cope with the overcrowding.

The first NMT System, NMT-450, which operates in the 450MHz waveband, was opened at the end of 1981, and the NMT-900 system, operating in the 900MHz band, in December last year. Customers on the NMT system in one country can use the service in any of the other three countries.

The four countries needed the extra channels because of the boom in cellular sales there. In Sweden, for example, which has the highest number of cellular radio customers in Scandinavia, there are now 200,000 customers on the two NMT networks. And Norway has one of the highest penetrations of cellular phones in the world, with 32 phones for every 1,000 people.

Although the introduction of competition, and the resulting low prices of equipment and aggressive marketing of services, has been cited as the reason for the explosive cellular mobile phone growth in the UK, the same cannot be said for the rapid growth in Scandinavia. There each country has a single cellular network which is run by the traditional telephone operating company.

The recent experience of the Swedish operating company Televerket in trying to sell its NMT-900 service has demonstrated that the Swedish public, at least, does not see price as the key factor in choosing a mobile radio system. Although the NMT-900 service has been in operation more than a year and a half, there are still only about 20,000 customers using the service in Sweden, compared to the 175,000 using the older NMT-450 network. That is despite the fact that the newer system has lower subscription charges and the equipment is also cheaper.

Mr Claes Tadne, marketing manager for Televerket Radio, the cellular operator in Sweden, says the main reason for the slower take-up is the lack of handsets and the limited coverage area. Because the older NMT-450 system has a wider coverage area, customers are still continuing to subscribe to that rather than the newer, cheaper system.

The operators have engineered their way out of the difficulties, putting in extra telephone exchanges and extra "cells", each with a radio transmitter and receiver

Mr Tadne believes there are two factors why cellular services in Scandinavia have been so successful. The first is the size of the Nordic countries and the distance between cities, and the consequent need for business travellers to have cellular phones. In addition, he says, Scandinavian countries have had some form of mobile radio communications since the 1960s, and so are familiar with the services.

Both France and Germany are looking at the UK experience of competition and planning to imitate it. In France the PTT, France Telecom, launched its analogue Radiocom 2000 mobile radio service in November 1985, and it now has more than 70,000 subscribers on a network which covers virtually the whole of France.

Soon the PTT will face competition from a conglomerate of French and international companies led by Compagnie Général des Eaux, which has a 41 per cent stake in the new company, Cofira. Other shareholders in Cofira include Credit Lyonnais, Racal, Bell South (one of the US Bell operating companies), the Belgian company Fabricom and Magneti Marelli of Italy.

Cofira has been given a 15-year licence by the French government to run mobile radio services which it will do under the name *Société Française de Radiotelephone (SFR).* The service will begin in March next year in Paris, and will cover 85 per cent of the population of France by the end of 1991. As well as running an analogue radio system, Cofira is likely to be one of the two operators of digital cellular radio services in France when the pan-European cellular radio network comes into operation in the early 1990s.

In West Germany, the bastion of the state-owned and run telephone service, liberalisation has also been promised. The German Bundespost and its would-be rivals are still waiting to hear the details of those plans. Meanwhile the Bundespost's C-450 analogue cellular radio service, which came into operation three years ago using equipment from the German electronics giant Siemens, now has more than 75,000 subscribers.

That figure is likely to rise to 135,000 subscribers by the end of next year and 280,000 by 1991 when the first digital services come into operation, according to figures from CIT Research, the business research organisation.

The number of subscribers is likely to grow at a similar rate in France, where CIT predicts that 120,000 mobile radios will be in service by the end of 1989 and 240,000 by 1991. But the European country with the largest total cellular subscriber base in 1991 looks like being the UK, with 675,000 users – although both Racal Vodafone and Cellnet say they have the capacity to handle up to 1m subscribers between them in the early 1990s.

In the four Scandinavian countries there are likely to be more than 800,000 cellular phone users by 1991.

Although France and German are planning to introduce competition in the provision of the radio networks, the British government went further in its liberalisation policies when introducing cellular radio to the UK. It prohibited the two network operators from dealing directly with the phone users.

Instead, they had to appoint a number of competing retailers, which in turn could appoint their own dealers and installers. The accredited retailers are responsible for billing the customers, and the dealers for selling the phones and installing them.

As the retailers and dealers have been allowed to sell the cellular services in their own way, there has been a number of different approaches to the market. Some dealers, for example, choose to sell the phones very cheaply while charging more on the phone calls, while others bundle their charges together to include a premium maintenance service.

That has resulted in some confusion in the marketplace, but Mr Chris Gent of Racal Vodafone believes the system does work, as it gives customers the option of choosing a package which suits them. "I think it's good news as long as customers shop around. They must shop around, that's the key thing," he says.

Mr Peter Waller of Cellnet believes the way the industry is structured means the operator is not close enough to the customer, who in a minority of cases can have problems with the installation and service of the phone and subsequent operating difficulties. His advice to any countries planning to introduce competing radio networks is to opt for the accredited retailer system, but to introduce legislation for installers and dealers to make sure the customer gets a good service at every level.

RADIO DATA SYSTEMS

The most efficient way to put the driver in the picture

COURIERS AND taxi-operators both suffer from the same problem – getting information to the driver accurately, safely and quickly. Not only is he probably on the move at the time, and so cannot take notes, there is also the limitations of radio communications with which to contend.

There is congestion on the roads and a shortage of radio channels, there are crackles and pops and, often, breakthrough from other radio systems. Furthermore, in the case of couriers, the driver is frequently away from his vehicle but they need to make sure he will get the message when he returns.

To overcome these problems, and to provide a more effective service in the face of growing competition, service companies such as these are increasingly moving to radio data systems.

Using voice, it takes about 1.5 minutes to provide information that radio data can give in four seconds

The requirements of the two types of users are somewhat different in that the courier firm just needs to provide its driver with pick-up details while the taxi firm needs to ensure that details of a new job are broadcast to all drivers who are plying for hire in that particular locality so that they can "bid" for it.

The courier firm DHL, for example, has some 250 vehicles serving a 60-mile radius around London. They each have a small printer in the cab linked to the van's radio. This allows them to receive pick-up details such as name, address, floor of building and telephone number in case of queries. Using voice, it used to take about 1.5 minutes of dialogue to provide this information: now it now only takes four seconds and it does not even matter whether the driver is in his vehicle.

The plan is to extend the system to cover the whole of the country.

With voice-based systems, when the taxi dispatcher announces abridged details of a job, the first driver who responds gets allocated the job and is supplied with full particulars. In some systems he responds by voice while with others he hits an "Accept" button.

Because of the quality of radio, it is possible that the initial job details may be misheard and then quite a long dialogue will be necessary before full details can be taken down correctly. The various delays in the system can mean that it might take up to 10 minutes between the start of the phone booking until the cab actually receives the job. To this has to be added the time it takes for the cab to get to the pick-up point.

In addition, when accepting by voice there can be accusations of favouritism by drivers who feel that dispatchers have allocated jobs to their pals. All in all, with the growing amount of traffic, the radio channels are becoming saturated and this is not a satisfactory method.

Computerised taxi despatch systems, however, can increase productivity, help provide better service to customers, and improve working conditions for drivers. They employ computer terminals in the cabs which communicate, via the normal radio channels, to the taxi firm's centralised computer system.

Various techniques, such as automatically repeating each message two or three times, are used to ensure that the information received is error-free. Even with these additional precautions, it takes only a few seconds or so to send the required information to the vehicle. This means that the available radio channels can support a far greater number of users.

At the present moment, there is a frenzy of activity at Dial-a-Cab, one of London's leading black cab companies. It has already fitted some 250 with data terminals and the installation programme is continuing at the rate of 32 taxis a day. The aim is to have all 1,420 fitted when the system, which already has Public Carriage Office (PCO) approval, is scheduled to go live on October 31.

The system, provided by a Canadian company, Mobile Data International, will be one of the largest computerised taxi despatch systems in the world and the first one in the UK.

Mr Ken Burns, Dial-a-Cab's chairman, explains how it works: "Taxi drivers key their location into the system via the specially-designed computer in the cab. The system keeps a queue of all the cabs in each of the zones into which London is divided. They can then, or at any time, check how many cabs are queueing in adjacent zones, just at the touch of a button. This means that drivers are able to move so as to provide a better service to their customers."

Once a call comes into the operation centre, and the operator has keyed details into his/her VDU, it only takes seconds for the system to work out which cab is the first one available in that particular zone and send it the details. Then, the required address etc. appears on the terminal in that driver's cab. The driver hits a button on his terminal to accept the job; otherwise it is passed to the next available driver.

London's largest radio taxi company, Computer Cab, which has *2,500 taxis* on the road, has no intention of being left behind. According to Ms Miranda Twiss, its spokeswoman, it also has PCO approval for its Admiral system on which it has started trials. The system will involve 100 cabs and will provide "digital details". That is, once a driver has accepted the job, he will be sent full details digitally to a terminal in the cab. As soon as the trials prove satisfactory, the equipment will be installed in the whole fleet.

The system keeps a queue of all the cabs in each of the zones into which London is divided

Once that gets well under way, Computer Cab aims to move to direct vehicle location which obviates the need for the driver actually to key in the position of his cab.

However, before this occurs, it is likely the competition will have hotted up between London's cab companies as Radio Taxis (London), another of the capital's radio cab companies, expects to have its system from Mobile Data operational by next April. The improved service that results will be vital – after all the competition is for account customers, and it is service for which they pay.

Adrian Morant

The writer is European Editor of Telephone Engineer and Management

UK government move frees airwaves and widens options for users, while giving manufacturers a more attractive market

Prospect of 1m subscribers woos car radio networks

THE NEW field of cellular mobile telephony has expanded with such speed over the past few years that it has distracted attention from the longer-established car radio business. But the conventional car radio industry is also now in the throes of radical change, moving into an era of a much larger volume market and increasingly flexible use.

The key to this evolution lies in the regulatory framework governing the use of airwaves. Following an official report in the early 1980s, the UK government decided to allocate a part of the broadcasting spectrum which had previously been used for television transmissions to the car radio sector, at the same time licensing a number of new operators. This has had the effect of making it economically viable to establish trunking systems in the industry – networks in which users can go to a central operator who can allocate lines from a number of channels.

The establishment of this networking concept, broadly

There are suggestions that further channels will be released by the government later

labelled the Band Three Radio system, has dramatically widened the scope of user choice.

Previously, users of mobile car radios had two options. They could go to the government and receive a licence to use a particular channel on which they could establish their own private system; or they could subscribe to a local community repeater system.

Both of these alternatives have had significant disadvantages. The first is prohibitively expensive for all but the largest users such as the police or the electricity and gas utilities. Such organisations have built their own national systems, becoming radio telephone operating companies in their own right in order to run their services – an option that is clearly not available to most companies.

Under community systems a number of local subscribers in effect share party lines in a fairly constricted geographical area. While cheaper than operating a tailor-made service, this has the disadvantage of limited coverage and lack of security. It is easy to listen into the lines, and the quality is not always high.

The change brought about by Band Three can be seen most clearly at national level. Under the new government regime, two country-wide operators have been licensed, charged with the establishment of car radio networks that will cover at least 80 per cent of the population.

The two operators, National One, backed by the General Electric Company, and Band Three Radio, a consortium comprising Philips, Digital Mobile Communications, Racal and Securicor, have each been given an initial tranche of 100 channels. At this level it is calculated that a national system becomes economically viable.

Capacity can be multiplied by using the same frequencies in different areas where transmissions do not overlap – indeed, Band Three believes that it can achieve a capacity of about 550 channels within the UK in this way; and messages can be sent the full length of the country by using radio links for the local calls, but then linking the regional exchanges into a wired network leased from British Telecom and Mercury.

The regulatory changes also included a move towards marketing through service providers and the establishment of common standards so that equipment designed for one network could be used on another. Both of these ideas have also been used effectively in the cellular mobile industry as a means of stimulating competition.

Service providers, who sell the network offerings at the high street level, are expected to compete vigorously for business; and common standards mean that users are not locked into one system, while equipment suppliers have a larger market to serve.

"The new organisation of the industry has given the operating companies a genuine incentive to invest," says Mr Callum Mackie, sales and marketing director of Band Three Radio.

"At the same time, manufacturers have a more attractive market to aim at because the market is potentially much larger," he adds.

How these concepts will work out in practice is still to be seen. The industry at present is still in its infancy as the newly-licensed companies build up their networks. Band Three Radio, for example, is currently operating local and regional services with the aim of expanding these within a year or so into a national network. National One is similarly building up its infrastructure.

Market forecasters, however, estimate that the new trunked networks could double the size of the conventional mobile radio market by the mid-1990s, taking it from about 500,000 subscribers today to around one million.

On the basis of the licences that have already been granted to set up the new system engineers calculate that 200,000 subscribers could be satisfactorily accommodated, and there are suggestions that further channels will be released by the government at a later date. Some executives believe that the 200,000 subscriber level could be reached as early as 1992.

These optimistic forecasts are based on the conviction

"Investors might use cellular for managers, but Band Three for service staff"

that there is a substantial business market for a cheap alternative to cellular mobile telephony. Band Three technology is not as expensive to instal and operate as cellular because the radio cells which it uses are larger – hence requiring fewer transmitters and other equipment – while long-distance calls are despatched through fixed leased lines to subscribers within the same company rather than switched to corresponding lines anywhere through the conventional telephone system.

Mr Mackie says that present estimates indicate that the cost of national calls under the Band Three system will be only about 60 per cent the price of a connection via the cellular network. This, he believes, will be highly attractive to companies that want to make frequent short calls to a number of their personnel – businesses, for example, that have to control service engineers from a central headquarters, or companies running distribution fleets.

"A typical investor might use cellular for its managers, but Band Three to control its service staff and distribution organisation," he says.

At a local level, Band Three will be still cheaper for those companies opting for a service that will only allow them to communicate within a city or a region. These types of subscribers are likely to account for a substantial proportion of the total market, which is expected to comprise regional services at around 50 per cent of the total, with local services accounting for another 25 per cent and national making up the other 25 per cent.

Longer term, there are two broader questions that will influence growth. The first is the extent to which the big companies currently operating their own dedicated systems might be attracted into the trunked networks. There is some incentive for the government to nudge the industry in this way to make better use of the available frequencies, and the new system may well be substantially cheaper to operate than dedicated networks.

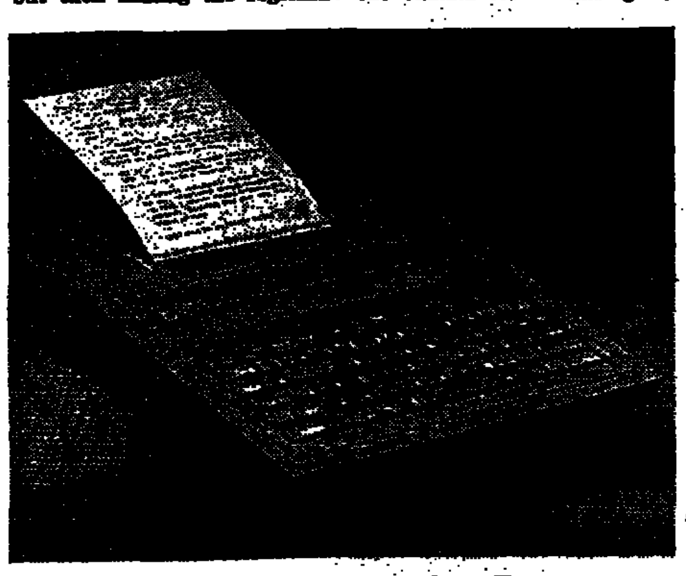
The second is the degree to which Europe may come together to develop a pan-European network. Technically, this should be possible, and there might well be a satisfactory market as trading between countries in the Community increases.

There are hopes also that the region will move towards a common operating standard – France, for example, has shown interest in the standards adopted in the UK. But executives concede that these opportunities are very much on the horizon at present. For the moment, the priority is to build a viable UK industry.

Terry Dodsworth

The Metropolitan Police has now ordered more than 2,000 Philips PFX 99-channel portable radios. Here Sergeant Peter Gordon uses a portable radio to liaise with the Thames River Police.

The radio boasts a loudspeaker-microphone unit which can be clipped to a uniform lapel or pocket, with the portable worn at the belt.



Portable link-up

The British-designed and built E-Note, recently launched by Trend Telecommunications, is claimed to be the world's first portable remote data communications and messaging terminal.

E-Note facilitates communications between a company and its personnel in remote locations. It provides a printed record of information passed, eliminating abortive telephone calls.

At 223mm x 230mm x 56mm, E-Note is small enough to slip into a briefcase.

The problem of fragmented paging markets

A scanning solution

THE USE of different radio frequencies for transmitting signals has so far prevented the development of international paging in the same way that similar problems have delayed the creation of international cellular telecommunications services.

However, the solution to the problems of fragmented paging markets is likely to be different from that which is being advocated for cellular telecommunications. This is because, in many ways, paging is its poor relation.

The bleeper has neither the glamour of a car phone nor its industrial importance. Moreover, while it is possible that significant numbers of business people will want to travel around Europe using the same car phone, it is unlikely that there will be so much demand to roam around with a pager.

The solution to Europe's fragmented market in cellular telecommunications has been to knock manufacturers' heads together to produce common standards and to clear away a common set of radio frequencies for the phones to use. The Continent's fragmented paging market is unlikely to spur the civil servants into comparable activity. Clearing away a common set of frequencies is a complicated diplomatic task, as the existing users of those frequencies – who are often the armed forces – have to be shifted elsewhere.

The way forward is therefore likely to involve following the approach that is now being adopted in the US, where different states use different frequencies for paging. The country is developing nationwide paging by a new piece of equipment, called the scanning pager, which is able to operate on a whole range of different frequencies.

In addition to offering a solution to regional paging problems, the scanning pager provides a route to international paging. This was one of the reasons that British Telecom, Europe's largest paging operator, earlier this year bought 80 per cent of Metrocast, a US paging operation which has pioneered the use of the scanning pager. BT plans to offer its customers the first transatlantic paging service.

RADIO-PAGING SUBSCRIBERS IN EUROPE

Country	Subscribers
Austria	55,412
Belgium	38,239
Denmark	31,500
Finland	18,850
France	80,400
Italy	18,500
Luxembourg	1,953
Netherlands	145,000
Norway	50,124
Spain	14,500
Sweden	92,180
Switzerland	20,927
UK	580,000*
W Germany	158,273

January-May 1988 figures *Estimate

Some of Europe's manufacturers, however, are opposing the scanning pager solution. Mr Alexander Pollakoff, chairman of ESPA, a European trade association for the paging industry, and president of Multitone, a UK paging manufacturer, says that the scanning pager, besides being bulky, will be more expensive for the consumer. However, he denies that his opposition has anything to do with the fact that the scanning pager is currently produced only by NEC, the Japanese electronics group.

Paging is the poor relation since the bleeper has neither the glamour of a car phone nor its industrial importance

The argument is due to be settled later this year at a meeting of CEPT, the European standards body. The scanning solution is expected to be chosen.

Whatever is decided on an international level, domestic paging is likely to remain the predominant activity. Within the UK paging market, there have been two main developments recently.

The first has been the introduction of more sophisticated pagers since 1983, which do not simply give out a bleep alerting subscribers to the fact that somebody wishes to contact them. The new "alpha-numeric" pagers display messages, telling subscribers who to call and on what number. These alpha-numeric pagers have proved extremely popular and Digital Mobile Communications, one of the UK's paging operators, estimates that almost half the new subscribers are choosing them.

The second development in the UK has been the attempt to create more powerful competition in a market still dominated by British Telecom. BT accounts for over 80 per cent of the country's 500,000 pagers.

BT owes its dominance largely to two key factors: it has been in the market so much longer than any other player, and its earliest competitors were not able to challenge it effectively. There were also complaints that BT made it difficult for its rivals to interconnect with its mainstream telecommunications network.

The upshot was that, although the three competitors – Air Call, Digital Mobile Communications and Intercity – were licensed in the early 1980s, they are only now beginning to build national networks and market share.

The UK government's response to this was to license further operators – Mercury Communications, Racal Telecommunications and Pagenet. Mercury and Racal were chosen because it was thought that these were large companies, experienced in other areas of telecommunications, which would be well-equipped to challenge BT. Their operations are still in the start-up phase.

Pagenet was a rather different case. It was a consortium of four paging companies – Air Call, Digital, Intercity and Pageboy. The idea was that, by clubbing together, these smaller operators would be able to share the costs of going nationwide.

In the end, the Pagenet licence was not activated for over a year, and two of the members of the consortium dropped out. It was only last month that the consortium's remaining members – Air Call and Digital – decided to move ahead with the project in a deal which also involves a partial merger of their networks. The whole package was designed to strengthen the companies, which are the second and third largest players in the UK market respectively, vis-a-vis BT. It remains to be seen if they will succeed.

Hugo Dixon

CELLULAR RADIO

In the US there are 75 operators - but Japan has only one

AT &T's Bell Laboratories first invented cellular radio. Ten years after the first trials of the system the US market is justifying its position as one of the world leaders in the technology.

There are now over 1.6m cellular radio subscribers in the US, in over 180 major cities. Over half a million of those have been introduced to the system in the past year.

As in the UK, every cellular radio customer has a choice in the US between two competing cellular systems. In each allocated district the Federal Communications Commission (FCC), the organisation which oversees regulatory and licensing issues in the American telecommunications industry, automatically gives one cellular licence to the local telephone company, or Bell Operating Company (BOC), and a second franchise is open to bids from independent companies.

Although BOCs are allowed to bid for franchises only in their own telephone areas, several have now bought up franchises in other areas, initially won by private companies. Bell South, South Western Bell and Pacific Telesis (Pactel) have all made major acquisitions. Pactel, for example, whose home base is California, now runs a cellular radio service in Atlanta, Georgia.

Some of the independent cellular radio companies have also been on the acquisition trail and bought out franchises in other areas. As a result of that consolidation, there are now about 75 cellular radio companies in the US, according to Lyn Rose at the Cellular Telecommunications Industry Association in Washington.

One of the major concerns for the cellular operators now, she says, is to make sure customers on one network can automatically "roam" onto another network (make phone calls on it) without having to register first with a different operator. That is mainly a question of commercial negotiations rather than technical difficulties.

Although the American cellular market has seen some consolidation in the number of operators, that number is growing again. Now that all the major cities in the US have cellular services, the smaller towns and rural areas are being introduced to them as well, and rural franchises are up for grabs. Victor Krueger, vice-president of the telecommunications industry service at American industry analysts Dataquest, says the move to service provision in rural areas will be reflected in the type of equipment bought by the operating companies. "In the early days the large cities were covered, which favoured the large exchanges. As the services move out into smaller towns and rural areas, then the market will grow for smaller exchanges," he says.

Mr Krueger believes one manufacturer that could benefit from that shift is the Swedish company Ericsson, which in 1987 captured 8 per cent of the US cellular radio infrastructure market. AT&T scooped 37 per cent market share and the American manufacturer Motorola 36 per cent.

Motorola is the leading indigenous manufacturer of cellular radio handsets in the US, competing with international names such as the Canadian firm NovAtel, the Finnish company Nokia-Mobira and a number of Japanese and other South-East Asian manufacturers.

One manufacturer which might benefit from the shift to smaller exchanges in the US is the Swedish company Ericsson

Motorola is also a leading manufacturer in the US radiopaging market, which like the American cellular radio business is extremely fragmented. There are about 1,000 radiopaging operator companies in the US, operating on a local or regional basis. They offer services across a range of radio frequencies, which means that a pager on one network may not work on another network. Between them the 1,000 operators have about 7m paging customers, and the market is growing by 20 per cent a year.

In addition, the FCC has licensed two companies to operate nationwide paging services, National Satellite Paging and Contemporary Communications. National Satellite Paging, the larger of the two, now has about 10,000 subscribers. A third nationwide paging operator may also be licensed.

In contrast to the 75 cellular radio operators in the US, Japan has only one company selling cellular radio services. That is Nippon Telegraph and Telephon (NTT), which runs the domestic Japanese telephone service. However, the traditional telephone company will face competition from the end of this year, when a further two cellular radio operators will begin operations.

Each of the two new operators will be given half the country as its coverage area – NTT is licensed to provide coverage throughout Japan.

That has already proven a successful formula in the Japanese radiopaging market, where NTT provides a national radiopaging service, and some 20 other companies provide local or regional services. There are now nearly 2.8m radiopagers in use in Japan, and, as in the US, the market is growing by about 20 per cent a year.

Although the NTT cellular network has been in operation since 1979, it still has only 180,000 subscribers. One particular problem is that although the network covers a high proportion of the country, up to half its subscribers are concentrated in the capital, Tokyo. That means that like cellular radio operators in other capital cities such as New York and London, NTT is faced with tremendous congestion problems.

NTT is looking for a technical solution to the congestion, and is planning to produce a high capacity system to work alongside the current network. The current cellular system has 25 kHz spacing between each call channel – the same as on the British cellular radio systems. However, the system under development will have 12.5 kHz spacing, which means that nearly twice as many phone calls can be made on the same number of radio channels.

The high-capacity system is being developed by NTT in conjunction with Japan's major telecommunications and electronics company NEC. NEC is also developing a "space diversity system" for NTT, which involves fitting each car containing a cellular phone with two aerials instead of one. That would mean in highly congested areas like Tokyo, where the "cells" on the network are small and close together, the car would continuously pick up two signals and be able to pick out the strongest.

NEC is also supplying network infrastructure equipment to one of the two rival cellular radio companies, which is building a network based on the NTT NAMTS cellular standard. Its rival newcomer is planning to use the British-developed Total Access Communications System (TACS).

The Japanese electronics giant is also one of three major manufacturers supplying equipment for the competing radiopaging networks in Japan. The other two companies supplying infrastructure and paging equipment are Matsushita and the Japanese arm of Motorola.

Della Bradshaw

Marconi Instruments, in launching the multi-system 2960 at Comex 88, Sandown Park, tomorrow, claims that for the first time all of the world's major cellular radio networks plus the new Band III system exist together in one transportable package.

The 2960 combines AMPS, TACS, NMT-450/900 and variants, Radiocom 2000 and the new Band III system into a special adaptor, integrated with the 2955 Radio Communications test set, and the desired system is easily selected from the front panel.

All of the instrument settings may be saved in non-volatile stores, permitting rapid changing between systems of configurations. The testing philosophy used with the well-proven 2955 is incorporated in the 2960, reducing the learning time for existing TACS users.

The new Band III mode tests mobiles by simulating the functionality of a base station or trunking system controller to check the data signalling and prove that the radio is working as a whole rather than as discrete modules.

Extending the advantages of mobility to the mass market

How cordless telephony could revolutionise people's lives

THE UK is pioneering a new generation of cordless telephony. Unlike the present generation of cordless phones, which can only be used in people's homes, the new generation will also be able to be used in the office and out on the street.

Cordless phones will soon be able to offer the consumer many of the things that are now available only on cellular phones. Some analysts are even predicting that cordless telephony will eventually take over from cellular telecommunications as the hot sector of the telecommunications business.

The reason for this bullishness is that cordless telephony could be the key to extending the advantages of mobility to the mass market. The industry expects there to be 3m users in the UK and 7m in the rest of Europe by the early 1990s.

Cellular telephony, despite spectacular growth in recent years, has remained a business person's market. This is because of its expense. The phones themselves cost around £700, there is an annual subscription of £300 and it costs 25p a minute to make a phone call in the UK.

Cordless telephony is expected to be much cheaper: £200 for the phone, an annual subscription of £80 and a charge of about 20p a minute. Furthermore, the phones are likely to be small enough for people to be able to put them in their pockets. Cellular phones are either briefcase items or, more usually, bolted to a person's car.

Cordless phones will be smaller and cheaper than their cellular cousins, because they will use a simpler technology. To use them, people will have to be within 200 metres of a radio base station, tens of thousands of which will be dotted around the country in public or semi-public places such as garages, stations and pubs.

Cellular technology is more sophisticated because it allows people to make phone calls when they are on the move. When people move out of contact with one base station, they are passed on automatically to the next one without a break in their conversation. Moreover, cellular phones are always emitting a signal, which tells the system where they are, so enabling users to receive incoming calls as well as make outgoing ones.

The inability to receive incoming calls and the need to look around for a base station before making an outgoing one has led some people to compare the new generation of cordless phone with public phone boxes. However, manufacturers argue that the limitations of cordless telephony are not particularly severe. The problem of not being able to receive incoming calls could be overcome by combining with the phones pagers, which would alert customers when somebody wanted to contact them. The problem of having to search around for a base station would best be dealt with by installing so many that there was always one within easy reach.

The phones are likely to be small enough for people to be able to put them in their pockets

Advocates of the market also argue that cordless telephony will revolutionise people's lives. Instead of having several phone numbers for different locations – the home, the office or the car – people will have just one number. When the relevant equipment is developed, people will be able to use their cordless phones through their office switchboards, on the train or in the air. Telecommunications cables will no longer be needed for ordinary voice communications – only for data communications – and the expense and bother of wiring up offices will be limited.

The idea of using cordless telephony for all these applications has been developed in the UK. And, last month, the UK took a major step towards exploiting the market commercially when five telecommunications manufacturers – Ferranti, GEC Plessey Telecommunications (GPT), Orbitel, Shaye and STC – agreed on a common technical standard for the system.

The agreement on a common standard was important for two reasons.

The agreement on a common technical standard will give the UK a chance to sell the concept overseas

● It will lead to a better deal for consumers. The adoption of a single standard should allow manufacturers to achieve economies of scale and so sell phones at cheaper prices. Even more important, it will mean that users will be able to use their phones wherever they find a base station. They will not have to look around for a base station that is compatible with their particular phone, as would have been the case if there were several incompatible standards.

● It will give the UK a chance to sell the concept overseas. At present, there are no European or international standards for second-generation cordless telephony. UK manufacturers hope that, if they can build up a successful market at home, they will able *to create a de facto standard* in Europe and maybe elsewhere. This would give them a head start in exporting the products. However, if a common standard had not been agreed in the UK, many feared that it would be impossible to persuade other countries to take them seriously.

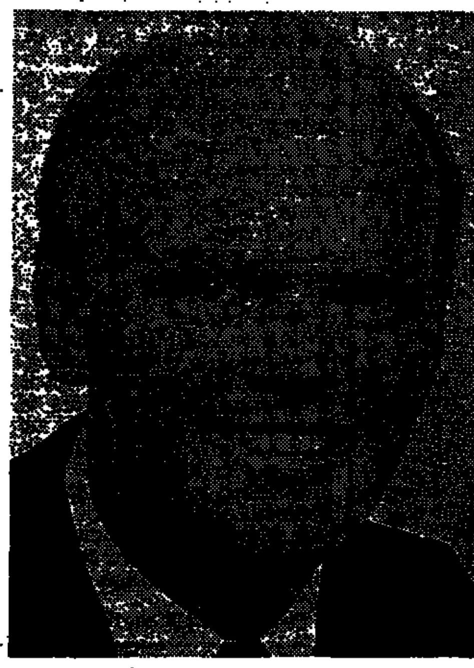
Before a cordless phone service in the UK can begin, two further matters have to be decided by the Department of Trade and Industry in consultation with the Office of Telecommunications: who should the players be; and when should they start operations?

The DTI has already said publicly that it will license between two and four operators and indicated privately that four is the most likely number. If four are chosen, the favourites would appear to be British Telecom and Mercury Communications (the two mainstream telephone operators); Racal Telecommunications, which owns one of the two cellular licences; and Ferranti, which has done much to develop the concept.

The decision about when the service should start is complicated by the fact that, although a standard has now been agreed, equipment conforming to that standard could take up to two years to produce. Most manufacturers argue that it is best to develop a market as quickly as possible using the existing incompatible standards and transfer to the new standard when it is ready. GPT, however, argues that it is *better to wait, as transferring* from one standard to another would be a messy business.

Hugo Dixon

'UK still in the lead'



BRITAIN is leading the way in the development of second generation cordless telephones, according to Mr Bill Jeffrey (left), managing director of Shaye Communications and chairman of the seven-company group which last month endorsed a common air interface standard.

"From the viewpoint of UK Limited, the agreement to support one CAI standard at this early stage is heartening," says Mr Jeffrey. "Without it, our technological lead in cordless telephony would have been at risk.

"Now British manufacturers are in a position to establish a de facto European CT2 standard. That would enable them to attack European markets with great confidence."

The new CAI standard defines the radio interface between handsets and base stations, ensuring compatibility between equipment produced by different manufacturers. This ensures that the consumer has choice of both supplier and Telepoint service provider.

The group, whose other members are GPT, Ferranti, STC, Orbitel, Mercury and British Telecom, hopes to finalise details of the specification by next month. It will then be made available to the Department of Trade and Industry.

Products based on the new standard should be released by group members in 1990.

THE MOBILE OFFICE

Cost of wonderland

IT MAY seem far-fetched, but the day of the "mobile office" is just around the corner. A combination of the radio telephone, the portable computer and electronic mail services now makes it feasible to think in terms of the office as truly "dynamic".

Journalists can prepare their copy on a lap-top computer and file it via an acoustic-coupler and a modem. Travelling salespersons can "phone in" orders using a similar combination. And high-tech executives can send their Lotus spreadsheets through their radio telephones in their cars.

Mr Tony Cleaver, head of IBM UK, for example, can link into IBM's corporate network, via an IBM PC Convertible and a radio telephone, from the back seat of his chauffeur-driven limousine.

But running counter to this vision of a high-technology wonderland, recent controversy about the cost of radio-telephone services and the peculiar economics of this infant industry have soured the marketplace and led to increased caution from potential users.

IBM's Mr Cleaver is, in fact, one of an elite minority. Most of the early customers for the equipment which makes the mobile office possible have been individuals, rather than corporations. This is no surprise, given that the radio telephone technology, the key to mobile office systems, has been available at reasonable cost only for the past two or three years. But the market is changing, according to mobile communications retailer Talkland.

Mr David Spriggs, group marketing manager for Talkland, says that corporate customers have stood back, waiting for the market to mature. The signs of this maturity are now evident. "We are seeing large numbers of corporate customers looking to equip their staff with radio-telephones now because they see it as a valuable business tool," says Mr Spriggs.

He adds that the shift to mobile communications goes beyond the obvious user such as a company's direct sales force. "Companies are installing the technology for a wide range of uses aimed at improving their ability to communicate."

Mr Spriggs estimates that a mobile office, including the radio telephone, the modem and the personal computer, could be installed for about £4,000 to £5,000.

Talkland has converted a Renault Espace van into a showpiece for the mobile office under the product name Mobile *Office Vehicle Equipment* (Move). The unit includes a full-size Toshiba portable computer, a printer, a facsimile machine, a pocket dictation unit and no fewer than three different radio telephone systems. For those idle moments, spent waiting for international telephone connections, the back seat of the Move vehicle features a video, a compact disc player and a colour television.

Of course, the Move unit costs a great deal more than the £4,000 to £5,000 entry-level price. But it is a showpiece, rather than a serious product at this stage. Mr Spriggs sees a real product, which can be *fitted to any car with the* minimum of fuss, arriving in three or four years' time.

A degree of maturity in what is still a very young industry

The year 1992 has other implications. In addition to it being the year when the *European market becomes* unified, it is estimated that this will be the time when a pan-European radio-telephone system will first emerge.

Earlier this year, European *governments signed* an agreement on the evolution of the appropriate standards which will make it possible to offer a trial service by then. A full service is expected shortly after, in 1993-94.

This will not only allow users of such systems to roam around Europe conducting their business remotely through the telephone system, *but it will also* homogenise the market so as to allow volume production of standard items. "This will definitely bring equipment costs down," comments Mr Spriggs.

It is less likely to have an effect on airtime tariffs, however. To reckon the cost of using mobile office communications, the purchase of the equipment is only the beginning. The cost of "airtime" – the time you actually use the communications system – is charged either by the minute or the half-minute. This means that, if a call lasts just over a minute, it can cost the equivalent of two minute's worth of airtime at the expensive rate. This can make a difference of as much as £30 a month on the service bill, depending on the pattern of use.

Such problems involved in purchasing and using mobile communications have led to two key developments in the past few months:

● Dissatisfied users have set up the Mobile Phone Users' Association *to provide a* forum to put pressure on manufacturers and airtime suppliers to improve the service and reduce its cost.

● Several equipment suppliers have come together under the banner of the Federation of Cellular Retailers to put pressure on network operators. This forum is where the controversy over the conflict of half minute/full minute billing methods got its first public airing.

Both of these developments suggest a degree of maturity in what is still a very young industry. The youth of the mobile communications industry is put into perspective by the results of a Price Waterhouse survey of senior computer executives in the UK. According to Dr Kit Grindley, a consultant at Price Waterhouse, only 2 per cent of those surveyed saw any demand for "in car" communications.

"The police are the only group which *seems* to have any real interest," says Dr Grindley, "and they want to be sure that a mobile office computer system will be secure."

Mr Spriggs of Talkland *acknowledges that it is still* early days for the industry and estimates that only 5 per cent of his company's current revenues come from office-related systems.

"There must be increased integration of the computer and communications equipment and more focus on specific applications. I think it will only be three or four years before we start to see systems like Move in common use," he says.

Philip Manchester

Satellites seem likely to continue to have a role in international telephony and data broadcast

Moving targets can still yield rich pickings

THE SATELLITE is the cornerstone of contemporary international telephony. But it has never been considered to be anything more than a temporary stop-gap.

The demand for satellite communications arose because the old and established cables, particularly those between Europe and North America, could no longer cope with the growing commercial traffic. But that was before the introduction of fibre optic cable technology.

The fibre optic transatlantic trunk number 8 (TAT-8) is nearing completion; and the enormous capacity of using light locked within glass fibres will more than satisfy the transatlantic telecoms requirements. Once that happens, there will be a choice of links: either a 3,000-mile connection by fibre optic cable or a near 50,000-mile connection into space and back again.

Even at the speed of light, there is an annoying quarter-second delay in satellite transatlantic conversations – and this is made almost unbearable if the echo cancellation techniques fail to work properly. Users will inevitably choose the faster cable link.

Which means either that the satellite industry will have spare capacity for some other application; or that it will need to find another application in order to survive.

Mr David Price is the general manager of L-Teq Data Systems, manufacturer and supplier of the highly specialist satellite modem equipment that helps put both voice and data into format that is transmitted to and via satellites. He believes that there are five non-military satellite telecoms applications:

- standard telephony that will continue to expand in the Third World but will slowly decline overall;
- back-up telephony for the vulnerable undersea cables;
- television broadcast;
- data broadcast;
- mobile telecommunications.

The last two are the least obvious and the most interesting. Data broadcast by satellite is perhaps the most contentious. Instantaneous updating of dispersed terminals (information dissemination) is a self-evident option; Ladbroke already uses it to update all its betting shops simultaneously. But the greatest potential benefit comes from inter-active data applications.

That is a growing industry in the US, and one that many pundits think will boom in Europe. A brochure produced by CAP Scientific for the European Space Agency provides a view that is likely to be echoed in the study entitled Microterminal Services for Europe, undertaken by the same team for the same authority. It paints a rosy European future for data networks and microterminals (otherwise known as very small aperture terminals – VSATs).

But this is not a view shared by Mr Price. The potential of VSAT data networks is not in question, he agrees. "But we still operate in a duopoly in the UK, whereas there are monopolies elsewhere in Europe. Why should Mercury or BT offer to compete against themselves when they are doing very nicely as it is?

"Anyone can receive data; but only BT or Mercury may transmit it. Only when organisations are able to establish their own private networks will inter-active VSAT data networks become a reality; and even then they will probably be limited to the large international corporations and the major financial institutions."

Which leaves mobile communications. These can never be replaced by fibre optic technology simply because you cannot plug a cable into a moving target. Over short distances, the requirement can be solved by radio links; but over longer spans one requires the economy of satellite communications.

Leading this new technology is the organisation known as Inmarsat (International Maritime Satellite Organisation). Inmarsat operates nine satellites with a network of more than 20 coastal earth stations. It is a body with more than 50 signatory members from almost all of the world's major maritime nations, and an international headquarters in London.

Inmarsat's signatories are usually the member country's PTTs; the US signatory is the Communications Satellite Corporation (Comsat, owning 23 per cent), while the UK signatory is British Telecom, with 14 per cent.

The original intention was to provide shipboard (ship-to-shore) telecommunications services, and there are already more than 5,000 vessels throughout the world equipped for satellite communications – from yachts and fishing boats to passenger liners and oil rigs.

The first telephone call from a scheduled airliner took place from a Japanese aircraft in October 1987 to the coastal earth station at Ibraki in Japan

Voice and/or data messages are transmitted from earth station (or, in this case, the ship station) to the relevant satellite, from the satellite to a coastal earth station (CES) such as Goonhilly. At this point, the traffic is switched into the traditional PSTN.

But ships are not the only vehicles that cannot have traditional telephone connections: transcontinental lorries and aircraft are both prime targets – and both markets are now being addressed by Inmarsat; to such an extent that a West German proposal recently suggested that Inmarsat's name be changed to the International Mobile Satellite Organisation.

It is at this point that the cynic might realise that the likelihood of success for mobile telecommunications is greater than that for business networks since Inmarsat offers an additional or new service rather than a competitive service.

Mobile communications will be promoted rather than inhibited by the participating PTTs because they will all stand to benefit – and it has to be said that British Telecom International is likely to benefit more than most. BT may have got little right over the last few years, but BTI can offer better international direct dialling than any other organisation in the world; which means that a disproportionate part of Inmarsat's traffic goes through BTI's Goonhilly station.

However, whatever the reason for Inmarsat's success, there can be little doubt over the potential for international mobile communications. Consider the large intercontinental trucking companies. Every truck could be in constant touch with its data centre and each other. Details of new destinations, loads, depots, collection and delivery details could all be received in transit via small Standard-C earth stations with omni-directional receivers on the roof, and the details displayed on a screen in the cab.

The potential for airborne telecommunications is just as extensive. International air traffic is increasing, and a large proportion comprises the movement of senior business executives. Until now, these executives have been literally incommunicado for the duration of the flight.

However, in October 1987, the first telephone call from a scheduled airliner took place from a Japan Airlines 747 to the coastal earth station at Ibraki in Japan, via Inmarsat's Pacific Ocean satellite.

So, although standard international fixed point to fixed point satellite communications will undoubtedly decline with the increasing use and capacity of fibre optic cables, nevertheless satellite communications will have an important part to play in worldwide telecommunications for many years to come.

Kevin Townsend

INTERNATIONAL PAGING

Europe on call for 1992

AS WE move towards the single European market the increasing number of salesman and businessmen working outside their own countries will generate a growing need for radio pagers whereby messages will "follow-me" from one country to another.

At present there are 500,000 pagers in service in the UK. This is the highest density in Europe and is equal to 0.8 per cent of the total population (or 2 per cent of the working population). This is roughly double the rest of Europe.

Furthermore in the UK, generally recognised as the most sophisticated pager market in Europe with six competitive network operators, the growth rate is currently estimated to be around 30 per cent a year.

Not only that but, according to Ms Anne Kane, managing director of Air Call Communications, 55 per cent of her company's new customers are opting for message pagers. "In the industry as a whole, by 1991, we reckon that probably 40 per cent of pager users will be using message pagers," she says.

Current projections are that there will be 1m pagers in the UK by 1991 and that, for Europe overall, the penetration will reach 5 per cent of the population by the year 2000.

However, common goals are appearing. A UHF Europage paging initiative is under way across Europe. Alphapage is being constructed in France and Cityruf in Germany. While intended to cover only major conurbations, they are both ineffect national systems as they are under the umbrella of the national PTTs. In addition, there is the possibility that Italy, Spain and Austria might follow suit and implement corresponding systems.

A British consortium of all the major paging companies, with the exception of Mercury, will also construct a system operating on the same UHF frequency to cover London and the South-East. Called Europage, it is expected to be operational around the end of 1989. Together, they will permit city-to-city roaming across the various countries.

Europage is essentially an interim system and is expected to be loaded with subscribers within about five years. It is a "follow-me" system so that callers will still have to telephone the normal number to initiate the sending of a message, irrespective of where the user is currently located.

One indication of the British influence on paging technology across Europe is the wide adoption of the POCSAG (Post Office Code Standardisation Advisory Group) signalling code that was approved by the International Radio Consultative Committee in 1985 as the recommended code for radiopaging, and will be the basis for European paging networks through into the mid-1990s.

That multi-national initiative will use high speed POCSAG signalling operating at 1,200 baud – more than twice as fast as normal.

Further down stream will be ERMES, the European digital paging system. Thirteen member countries of CEPT, the organisation of European telecom authorities, are meeting to define and then construct a paging network operating VHF. The intention is to allow roaming across the service areas in all these countries once the specifications have been agreed by 1990 and construction, coincidentally with the single European market, in 1992.

This paging system will require technology in advance of what is available today. Although a bandwidth of 400kHz, ie 1625kHz channels, has been allocated at 169MHz, a maximum of only eight of them will be available in any one country.

This necessitates a pager that is able to "scan" across these channels so as to settle on the ones that are actually in use. Current chip technology is too power-hungry and so at present it is not possible to build a suitable scanning pager that runs from a single 1.5V battery. However, it is believed that Plessey has some advanced technology that meets the needs for lower power consumption. This is a spin-off from work previously carried out on wrist-watch pagers.

It is estimated that only about 5 per cent of the user population will take advantage of the international roaming. Nevertheless, they will find it of inestimable value. This is because it is difficult to set up a detailed programme in advance for an overseas business trip – and virtually impossible to keep to it.

In addition, the economies of scale that result from standardisation across Europe will be of benefit to all.

Today, the UK market is the most advanced in Europe. In addition, UK companies have already contributed to paging developments in other countries.

For example, Air Call has set up complete turnkey systems in Ireland, Spain and Switzerland, as well as in the UK. According to Mr Warren Tayler, the company's chairman, "we believe that Air Call is the only company with extensive experience of designing, installing and commissioning and operating radio paging networks on a pan-European basis. Our next move in Europe will be in Denmark where we are setting up a joint venture with ISS – Denmark's biggest employer."

Another company with experience across Europe is Paging Systems, whose mission is to develop leading edge technology especially in radiopaging with emphasis on fully automated paging networks and associated management software. Its systems were initially developed for its sister national radiopaging company, Inter-City Paging, but have achieved major sales overseas – especially Spain and Switzerland.

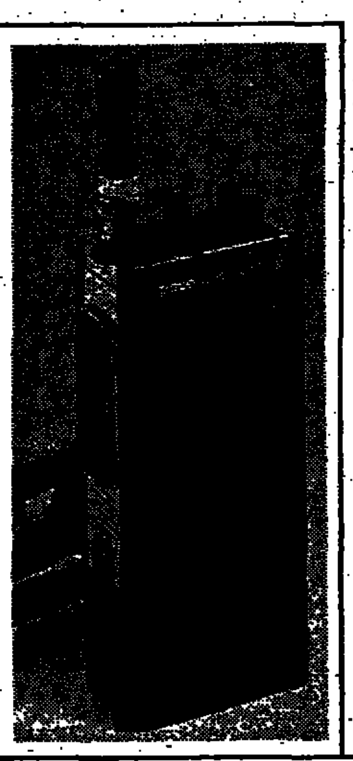
Mr Daniel Nabarro, who heads both companies is expecting entrepreneurs to emerge in the wake of the liberalisation of European telecommunications. No doubt, he will be aiming to apply his expertise in a mutually beneficial manner as the business community in many other countries across Europe increasingly looks to paging as a means of keeping in touch.

And not just across Europe! Inter-City has also done a deal with National Satellite Paging of Washington DC. NSP currently has a 900MHz system which is currently covering 60 cities in the US and is being rolled out to serve other cities. It employs single-frequency compact pagers which can be used on the company's network in any city. Under the terms of the interconnect agreement the two companies will handle each other's traffic, ie a "follow-me" system linking the two companies by satellite across the Atlantic.

Hence, it seems as if the UK is embarking on the age of international paging instead of just national coverage.

Adrian Morant

Exhibition radio is a perfect fit



Pace Communications is exhibiting its range of handportables and new UK Fleetmaster range of mobiles at Comex 88 this year.

The company is also the official supplier of two-way communications to Frametrack, the organisers.

Twenty Landmaster handportables are being provided with all the necessary back-up facilities for security, car parking and the conference hall.

A new four-channel compact handportable, switchable down to one watt, will be on display for the first time. Designed to fit into the hand perfectly, it is available in UHF, with VHF due shortly.